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*Private and Confidential*

*NO PROSPECTUS HAS BEEN REGISTERED IN ANY JURISDICTION IN CONNECTION WITH THIS OFFER FOR SUBSCRIPTION OF PARTICIPATING SHARES. THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM IS DISTRIBUTED ON A CONFIDENTIAL BASIS IN CONNECTION WITH A PRIVATE OFFERING OF THE PARTICIPATING SHARES, NONE OF WHICH WILL BE ISSUED OR SOLD TO ANY PERSON OTHER THAN A PERSON TO WHOM THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM IS SENT BY OR ON BEHALF OF THE FINANSA VIETNAM FUND, LTD. THE OFFERING CONTEMPLATED IN THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM IS NOT, AND UNDER NO CIRCUMSTANCES IS IT TO BE CONSTRUED AS, A PUBLIC OFFERING OF THE SECURITIES DESCRIBED HEREIN. THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM CONSTITUTES AN OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS AND TO THOSE PERSONS WHERE AND TO WHOM THEY MAY BE LAWFULLY OFFERED FOR SALE.*

**Private Placement**

**April 2008**

## **THE FINANSA VIETNAM FUND, LTD.**

*(an exempted company incorporated in the Cayman Islands with limited liability)*

### **CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

Note for U.S. Persons: The Participating Shares offered hereby have not been registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any state, and are being offered and sold in reliance upon exemptions from, or in transactions not subject to, the Securities Act and such other laws. The Participating Shares may be offered and sold outside the United States to persons who are not U.S. Persons as defined in and in reliance on Regulation S under the Securities Act. The Participating Shares may also be offered and sold in reliance upon an exemption provided by Section 4(2) of the Securities Act only to investors that are “accredited investors” as defined in and in reliance on Regulation D under the Securities Act and that have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Participating Shares. The Finansa Vietnam Fund, Ltd. has not been registered as an Investment Company under the United States Investment Company Act of 1940, as amended (the “**INVESTMENT COMPANY ACT**”) and none of the directors nor sponsor has been registered as an investment advisor under the United States Investment Advisers Act of 1940, as amended, (the “**Advisers Act**”).

THE PARTICIPATING SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OF ANY OTHER JURISDICTION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

## IMPORTANT NOTICE

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This Confidential Private Placement Memorandum (this “**Memorandum**”), is being furnished on a confidential basis solely to selected qualified investors considering the purchase of Participating Shares of The Finansa Vietnam Fund, Ltd. (the “**Fund**”) and is not to be reproduced or distributed to others, at any time, or used or circulated, in whole or in part, for any other purpose. The offering contemplated in this Memorandum is not, and shall not under any circumstances be construed as, a public offering of the Participating Shares described herein.

All recipients of this Memorandum irrevocably agree that they will keep confidential all information contained herein not already in the public domain and will use this Memorandum for the sole purpose of evaluating a possible investment in the Fund. Acceptance of this Memorandum by prospective purchasers of Participating Shares constitutes an agreement to be bound by the foregoing terms.

This Memorandum does not constitute an offer or solicitation by any person in any jurisdiction in which such offer or solicitation is unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to anyone to whom it is unlawful to make the offer or solicitation.

The distribution of this Memorandum and the offering of the Participating Shares may be restricted in certain jurisdictions. Any persons in possession of this Memorandum and any persons wishing to purchase Participating Shares in the manner described in this Memorandum must inform themselves of, and observe, all applicable laws and regulations of any relevant jurisdiction. Prospective purchasers of Participating Shares should inform themselves as to the legal requirements governing the purchase of Participating Shares and any applicable exchange control regulations and taxes in the countries of their citizenship, residence and/or domicile.

Prospective purchasers of Participating Shares should carefully read and retain this Memorandum. Prospective purchasers of Participating Shares are not to construe the contents of this Memorandum as legal, tax, investment, or other advice. Each prospective investor should consult its own advisors as to legal, business, tax, regulatory, financial, ERISA, and other related matters concerning an investment in the Fund.

In making an investment decision, prospective purchasers of Participating Shares must rely on their own examination of the Fund and the terms of the offering of Participating Shares, including the merits and risks involved. Investment in the Fund involves special considerations and risks and is suitable only for sophisticated investors for whom an investment in the Fund does not represent a complete investment program and who fully understand and are capable of assuming the risks of an investment in the Fund. No assurance can be given that the Fund’s investment objectives will be achieved. See Section XIII headed “*Certain Risk Factors, Conflicts of Interest and Other Special Considerations*” of this Memorandum.

The Participating Shares have not been recommended by any U.S. federal or state or any non-U.S. securities commission or regulatory authority. Furthermore, none of the foregoing authorities have confirmed the accuracy or determined the adequacy of this Memorandum. Any representation to the contrary may be a criminal offense.

The Participating Shares have not been and will not be registered under the Securities Act, or any state or other securities laws, and will be offered and sold for investment only to qualifying recipients of this Memorandum pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(2) thereof and/or Regulation D promulgated thereunder,

and in compliance with any applicable state or other securities laws. The Fund will not be registered as an investment company under the Investment Company Act. The Participating Shares are subject to substantial restrictions on transferability and resale imposed by the Memorandum and Articles and may not be transferred or resold except as may be permitted under the Memorandum and Articles, the Securities Act and any applicable state or other securities laws, pursuant to registration or an exemption therefrom. Prospective purchasers of Participating Shares should be aware that they will be required to bear the financial risks of an investment in the Participating Shares for an extended period of time. There is no public market for the Participating Shares, and no such market is expected to develop in the future. There is also no obligation on the part of any person to register the Participating Shares under the Securities Act or any state or other securities laws. The Memorandum and Articles of the Fund give power to the Board to decline to register any transfer of Participating Shares to, or held for the benefit of, any person who may, either alone or together with others, in the sole and conclusive opinion of the Board (i) cause a breach of any applicable law or requirement in any jurisdiction or be harmful or injurious to the business reputation of the Fund or any of its service providers; (ii) prejudice the tax status or residence or regulatory status of the Fund or any of its Shareholders; (iii) cause the Fund or any of its Shareholders to suffer any pecuniary, fiscal or regulatory disadvantage; or (iv) cause the Fund or any of its Shareholders to be required to comply with any registration or filing requirement in any jurisdiction in which it would not otherwise be required to comply. In addition, transfer of the Participating Shares requires the prior approval of the Board. Potential investors should be aware of their limited rights to redeem Participating Shares and of the limited liquidity of an investment in the Fund.

The Participating Shares will not be listed on any stock exchange.

## **WARNING**

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This Memorandum does not constitute an offer to sell the Participating Shares to, or a solicitation of an offer to buy the Participating Shares from, any person in any jurisdiction where it is unlawful to make such an offer or solicitation. Please refer to **Appendix A – Selling Restrictions** for the applicable selling restrictions in certain countries, which may be used as a guide only. Each prospective investor should consult its own advisors for any applicable selling or other restrictions.

This Memorandum does not constitute an offer, invitation or solicitation to any member of the public in the Cayman Islands to subscribe for any of the Participating Shares.

No person has been authorized to give any information or to make any representation concerning the Fund or the offering of the Participating Shares other than those contained in this Memorandum in connection with the issue or sale of Participating Shares and, if given or made, such information or representation must not be relied upon as having been authorized by the Fund, the Investment Advisor, the Administrator, the Custodian or any other person. Neither the delivery of this Memorandum nor the issuance or sale of Participating Shares is intended in any way to create any implication that no change has occurred in the affairs of the Fund since the date of this Memorandum or that the information contained in this Memorandum is correct as of any time subsequent to the date of this Memorandum.

The Participating Shares are offered subject to the right of the Administrator, acting on behalf of the Fund, to reject any subscription in whole or in part.

For the purposes of this Memorandum, all references to “US\$” and “U.S. Dollar” are to the United States Dollar, all references to “CIS\$” are to the lawful currency of the Cayman Islands, and all references to “VND” are to the lawful currency of the Socialist Republic of Vietnam. “United States” means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia. References to the United States Government are to the government of the United States. “U.S. person” means a citizen or resident of the United States, any partnership or corporation organized or incorporated under the laws of the United States, certain estates and trusts as defined in Rule 902(k) of Regulation S under the Securities Act, and any person, corporation, partnership or other entity or account otherwise defined as a U.S. person in Rule 902(k) of Regulation S under the Securities Act from time to time.

The NAV of the Fund will be calculated in U.S. Dollars. Accordingly, non-U.S. Dollar based investors should be aware that fluctuations between the U.S. Dollar and their base currencies will have an effect on the local currency value of their investment in the Fund.

### ***Regulation in the Cayman Islands***

The Fund is a registered mutual fund for the purposes of the Mutual Funds Law (2007 Revision) of the Cayman Islands (the “**Mutual Funds Law**”). The Fund has registered with the Monetary Authority of the Cayman Islands (the “**Monetary Authority**”) pursuant to Section 4(3) of the Mutual Funds Law and a copy of this Memorandum will be filed with the Monetary Authority. Such registration does not imply that the Monetary Authority or any other regulatory authority in the Cayman Islands has approved this Memorandum or the offering of the Participating Shares hereunder.

The continuing regulatory obligations of the Fund in the Cayman Islands include (i) filing with the Monetary Authority prescribed details of this Memorandum and any changes thereto; (ii) filing annually with the Monetary Authority accounts audited by an approved auditor; and (iii) paying a prescribed annual registration fee, currently CI\$2,500.00 (approximately US\$3,048.78).

This Memorandum is based on the law and practice currently in force in the Cayman Islands and is subject to changes therein.

This Memorandum contains a summary of selected provisions of the Fund’s Memorandum and Articles and certain other documents referred to herein. The discussions set forth in this Memorandum do not purport to be complete, however. They are subject to and qualified in their entirety by reference to the Fund’s Memorandum and Articles, the Subscription Agreement, and such other documents, copies of which will be provided to any prospective investor upon request, and which should be reviewed for complete information concerning the rights, privileges and obligations of the Shareholders of the Fund.

The Fund will fall within the definition of a “mutual fund” as defined in the Mutual Funds Law and, accordingly, will be regulated under the Mutual Funds Law. Since the minimum interest that a prospective purchaser of Participating Shares may purchase at all times will be equal to or in excess of CI\$80,000.00 (approximately US\$100,000.00), the Fund is not required to be licensed or to employ a licensed mutual fund administrator. The obligations of the Fund under the Mutual Funds Law include: (a) registering the Fund with the Monetary Authority; (b) filing with the

Monetary Authority prescribed details of this Memorandum and any changes thereto; (c) filing annually with the Monetary Authority accounts audited by an approved auditor; and (d) paying a prescribed annual registration fee.

As a regulated mutual fund, the Fund is subject to the supervision of the Monetary Authority, which has significant power and authority under the Mutual Funds Law. The powers of the Monetary Authority include, in certain circumstances, the power to require the substitution of a director and, at the expense of the Fund, to appoint a person to assume control of the affairs of the Fund. Such control includes, but is not limited to, having the ability to terminate the business of the Fund. The Monetary Authority may also at any time instruct the Fund to have its accounts audited and to submit such audited accounts to the Monetary Authority within such period as the Monetary Authority specifies. In addition, the Monetary Authority may ask the Fund to provide it with such other information or explanation in respect of the Fund as it may reasonably require to enable it to carry out its duties under applicable law.

The Monetary Authority may take certain actions if it believes that a regulated mutual fund is or is likely to become unable to meet its obligations as they become due or such mutual fund is carrying on or attempting to carry on or voluntarily winding up its business in a manner that is prejudicial to its investors or creditors. As noted above, the powers of the Monetary Authority include, among others, the power to require the substitution of directors and the power to appoint a person to assume control of the affairs of the Fund. Other remedies available to the Monetary Authority include the ability to apply to the court of the Cayman Islands for approval of other actions that it believes are appropriate in the circumstances.

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## I. DEFINITIONS

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*In addition to other terms defined within the text of this Memorandum, the following definitions shall apply throughout this Memorandum unless the context otherwise requires:*

<b>“Administration Services Agreement”</b>	The Fund Administration and Transfer Agency Services Agreement between the Fund and the Administrator, dated as of 25 January 2008, as amended from time to time.
<b>“Administrator”</b>	Citibank N.A., Singapore Branch in its capacity as administrator and registrar of the Fund.
<b>“Advisory Fee”</b>	The advisory fee payable to the Investment Advisor as described in Section VII headed “ <i>Fees and Expenses</i> ” of this Memorandum.
<b>“Affiliate”</b>	<p>In respect of any person, means any other person controlling, controlled by or under common control with such person.</p> <p>For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”) shall mean the possession, directly or indirectly, of the power alone or together with others to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities, by contract, or otherwise.</p>
<b>“Assets”</b>	All of the assets, including cash, for the time being held by or for the account of the Fund.
<b>“Auditors”</b>	Baker Tilly (Cayman) Ltd.
<b>“Base Net Asset Value”</b>	<p>With respect to a Participating Share, the greater of:</p> <ol style="list-style-type: none"><li>the NAV per Participating Share at the time of issue of the Participating Share, multiplied by a multiplier equal to (a) 1, plus (b) the product of (i) the Hurdle, and (ii) a quotient, the numerator of which is the number of days elapsed from issuance of the Participating Share to the relevant Valuation Day and the denominator of which is 365; and</li><li>the highest NAV per Participating Share (after accrual of the Incentive Fee) achieved as of the end of any previous Incentive Fee Period (if any) during which such Participating Share was in issue, multiplied by a multiplier equal to (a) 1, plus (b) the product of (i) the Hurdle, and (ii) a quotient, the numerator of which is the number of days elapsed from the end of that Incentive Fee Period to the relevant Valuation Day and the denominator of which is 365.</li></ol>
<b>“Board”</b>	The board of directors of the Fund, including duly authorized committees of the Board.

<b>“Business Day”</b>	A day, other than a Saturday or Sunday, on which commercial banks are open for normal banking business in New York, Vietnam, Singapore and the Cayman Islands.
<b>“Custodian”</b>	Citibank N.A., Hanoi Branch in its capacity as custodian of the Fund.
<b>“Custodian Agreement”</b>	The Direct Custodian Services Agreement between the Fund and the Custodian, dated as of 28 January 2008.
<b>“Dealing Day”</b>	The first Business Day following a Valuation Day or such other Business Day as the Board may from time to time determine.
<b>“Dealing Price”</b>	With respect to each Dealing Day, the NAV applicable on that Dealing Day.
<b>“Dong”</b>	Vietnam Dong, the lawful currency of the Socialist Republic of Vietnam.
<b>“ERISA”</b>	United States Employee Retirement Income Security Act of 1974, as amended.
<b>“FFM”</b>	Finansa Fund Management, Ltd.
<b>“Finansa”</b>	Finansa Public Company Limited.
<b>“Finansa Vietnam”</b>	The representative office of FFM in Vietnam.
<b>“Fund”</b>	The Finansa Vietnam Fund, Ltd.
<b>“High Water Mark”</b>	The greater of: <ul style="list-style-type: none"> <li>a) US\$1,000 (being the subscription price at which Participating Shares will be issued at the close of the Initial Offer Period), multiplied by a multiplier equal to (a) 1, plus (b) the product of (i) the Hurdle, and (ii) a quotient, the numerator of which is the number of days elapsed from the end of the Initial Offer Period to the relevant Valuation Day and the denominator of which is 365, and</li> <li>b) the highest NAV per Participating Shares in effect immediately after the end of the previous Incentive Fee Period in respect of which a Incentive Fee (other than pursuant to an Incentive Fee Redemption) was charged, multiplied by a multiplier equal to (a) 1, plus (b) the product of (i) the Hurdle, and (ii) a quotient, the numerator of which is the number of days elapsed from the end of that Incentive Fee Period to the relevant Valuation Day and the denominator of which is 365.</li> </ul>
<b>“Hurdle”</b>	An amount equal to 8% per annum.
<b>“Incentive Fee”</b>	The performance fee payable to the Investment Advisor as described in Section VII headed “ <i>Fees and Expenses</i> ” of this Memorandum.
<b>“Incentive Fee Period”</b>	The one year period ending on the last Valuation Day in each

	December. If a Participating Share is redeemed during an Incentive Fee Period, the Incentive Fee Period for that Participating Share will end on the day it is redeemed. If a Participating Share is issued during an Incentive Fee Period the Incentive Fee Period will commence on the day on which such Participating Share is issued and will end on the last Valuation Day in the next December to occur.
<b>“Initial Offer Period”</b>	The period that commences at 9:00 a.m. (Singapore time) on 7 April 2008 and concludes at 5:00 p.m. (Singapore time) on 30 April 2008.
<b>“Investment Advisor”</b>	Finansa Fund Management, Ltd.
<b>“Investment Advisory Agreement”</b>	The Investment Advisory Agreement between the Fund and the Investment Advisor, dated as of 20 February 2008, as amended from time to time.
<b>“Investment Team”</b>	Employees of FFM and Finansa Vietnam identified in Section VI headed “ <i>Management and Administration</i> ” of this Memorandum, who will identify, analyze and recommend investments to the Investment Advisor and who will have the benefit of support from other employees of FFM and Finansa Vietnam.
<b>“Issue Price”</b>	With respect to a Participating Share, the NAV per Participating Share as of the date of its issuance.
<b>“Lock Up”</b>	In respect of each Participating Share, the twelve month period starting on the subscription date for such Participating Share, during which the Shareholder may not redeem such Participating Share.
<b>“Management Shares”</b>	Voting non-participating shares par value US\$1.00 each designated as management shares, having the rights provided under the Memorandum and Articles.
<b>“Memorandum and Articles”</b>	The Memorandum of Association and Articles of Association of the Fund.
<b>“NAV”</b>	The net asset value of the Fund, calculated as described in Section VIII headed “ <i>Valuation</i> ” of this Memorandum.
<b>“NAV per Participating Share”</b>	The NAV divided by the number of Participating Shares outstanding from time to time.
<b>“Participating Shares”</b>	Non-voting participating redeemable shares par value US\$0.01 each, having the rights provided for under the Memorandum and Articles.
<b>“Redemption Dealing Deadline”</b>	In respect of each Dealing Day, subject to the Lock Up, 5 p.m. (Singapore time) 30 calendar days prior to that Dealing Day (or such shorter period as the Board may in its discretion agree in any particular case or generally).
<b>“Securities Act”</b>	The United States Securities Act of 1933, as amended.
<b>“Shares”</b>	Participating Shares and Management Shares.
<b>“Shareholders”</b>	The holders of Participating Shares.

<b>“SOE”</b>	State-owned enterprise.
<b>“Sponsor”</b>	FFM.
<b>“SSC”</b>	State Securities Commission of Vietnam.
<b>“STC”</b>	Securities trading centre.
<b>“Subscription Agreement”</b>	The agreement to be signed by each applicant for Participating Shares, the form of which shall be provided by the Investment Advisor.
<b>“Subscription Dealing Deadline”</b>	In respect of each Dealing Day 5 p.m. ( Singapore time) on the 5 <sup>th</sup> Business Day prior to that Dealing Day (or such shorter period as the Board may in its discretion agree in any particular case or generally).
<b>“Valuation Day”</b>	The last Business Day of each month.
<b>“Valuation Point”</b>	The close of business in the last to close of any market on which any Asset is listed, traded or quoted on a Valuation Day or such other time on such Valuation Day as the Board may from time to time prescribe.

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## II. DIRECTORY

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Directors:	Eugene S. Davis Vorasit Pokachaiyapat James Marshall
Registered Office:	c/o Maples Corporate Services Limited PO Box 309, Uglan House Grand Cayman KY1-1104 Cayman Islands
Investment Advisor:	Finansa Fund Management, Ltd. c/o Finansa Public Company, Ltd. Tisco Tower, 16/FI 48 North Sathorn Road Bangkok 10500, Thailand
Custodian:	Citibank N.A., Hanoi Branch 17 Ngo Quyen 1 <sup>st</sup> Floor Hanoi, Vietnam
Administrator:	Citibank N.A., Singapore Branch 3 Temasek Avenue #12-01 Centennial Tower Singapore 039190
Auditors:	Baker Tilly (Cayman) Limited Sagikor House, 198 North Church Street George Town, P.O. Box 1782 Grand Cayman, KY1-1109 Cayman Islands
Legal Advisers:	As to matters of Hong Kong law:  Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Hong Kong SAR

As to matters of Cayman Islands law:

Maples and Calder  
PO Box 309, Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

As to matters of Vietnam law:

Russin & Vecchi  
Osic Building, 15/F1  
8 Nguyen Hue Blvd  
Ho Chi Minh City, Vietnam

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### III. SUMMARY

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*The following summary does not purport to be complete and is qualified in its entirety by, and should be read in conjunction with, the more detailed information included elsewhere in this Memorandum, in the Memorandum and Articles and in the Subscription Agreement.*

**The Fund**

The Finansa Vietnam Fund, Ltd., incorporated in the Cayman Islands on 27 March 2007 as an exempted company incorporated with limited liability. The Fund is principally intended to provide investors with the opportunity to invest in the shares of Vietnamese equitized and equitizing companies and will invest primarily in Vietnam, although it may from time to time invest in joint stock companies or in entities registered outside of Vietnam the main assets of which are located in Vietnam.

**Sponsor**

FFM.

**Investment Objective, Policies and Restrictions**

The Fund's investment objective will be to achieve capital appreciation primarily through investments in Vietnamese SOEs that have equitized or are in the process of equitizing. Under normal market conditions, the Fund will invest principally in equity and equity-linked securities. As part of the Fund's cash management activities, the Fund may invest in Vietnamese fixed income securities and from time to time, depending on opportunities perceived by the Investment Advisor, the Fund may seek to enhance returns through exposure to Vietnamese credit default swaps. The Fund will seek a diversified portfolio of relatively liquid investments, including both listed and unlisted securities. See Section IV headed "*Investment Objective and Restrictions*". No assurance can be given that the Fund will achieve its investment objective.

**Share Capital**

The authorized share capital of the Fund is US\$50,000 consisting of 100 Management Shares par value US\$1.00 each, and 4,990,000 Participating Shares par value US\$0.01.

All of the Management Shares are currently held by FFM and were issued *inter alia* for the purpose of enabling all of the Participating Shares to be redeemed without liquidating the Fund.

**Investment Opportunities**

Since the mid-1980's, Vietnam has taken a series of steps designed to shift from a centrally-planned economy to a more mixed, market-oriented system. Milestones include the promulgation of key legislation such as the Company Law, the Law on Investment and the Law on Enterprise, the reform guidelines agreed under the World Bank's Poverty Reduction and Growth Programme, the opening of the stock market, the

conclusion of the Bilateral Trade Agreement with the US and the recent entry into WTO. In the period between 2001 and 2005, Vietnam's GDP growth rate increased from 6.89% to 8.43% , while inflation averaged 4.4%. In view of the country's projected needs for capital, Vietnam has also gradually opened its economy to foreign participants. As a result of these developments, Vietnam's relatively under-developed status and the country's proximity to the fast-growing economies of Southeast Asia and China, the directors of the Fund believe that there are currently significant opportunities for foreign investors to participate in Vietnam's expected economic growth.

**Investment Advisor**

The day to day business and affairs of the Fund will be managed by the Investment Advisor, under authority delegated by the Fund's Board, which will retain overall supervisory responsibility. The Board is responsible for establishing the investment objectives, policies and restrictions of the Fund and for the appointment and supervision of the Investment Advisor and the Custodian.

**Risk Factors**

The Fund's investment activities will entail certain risks not typically associated with investments in the United States and Europe, including legal and economic factors, limited liquidity, less rigorous regulatory, disclosure and financial reporting requirements, restrictions on foreign investment, fluctuations of currency exchange rates and currency depreciation. Securities in which the Fund may invest at times may be illiquid. See Section XIII headed "*Certain Risk Factors, Conflicts of Interest and Other Special Considerations*".

**NAV Calculations**

NAV will be calculated on a monthly basis as at each Valuation Point. See Section VIII headed "*Valuation*" in this Memorandum.

**Distribution Policy**

Distributions are not expected to be paid on Participating Shares. Any distributions received from any investments will be form part of the Assets.

**Lock Up**

Shareholders will be restricted from redeeming Participating Shares for one year after such Participating Shares are subscribed for.

**Redemptions**

Shareholders may redeem Participating Shares on a monthly basis after the Lock Up in respect of the relevant Participating Shares. The deadline for notice of redemption is 5 p.m. Singapore time 30 calendar days prior to the Dealing Day, or such other Business Day as the Board may from time to time determine. The maximum redemption amount in respect of any one Dealing Day is 10% of the Assets. If, in respect of any Dealing Day, Shareholders send timely redemption notices in an aggregate amount greater than 10% of the Assets, the redemptions will be made pro rata to the redemption requests made by such Shareholders. To the extent that the above limitation results in Participating Shares for which notices of

redemption have been given in relation to any Dealing Day not being satisfied, the previously unredeemed Participating Shares subject to such notice of redemption shall be redeemed pro rata on the next Dealing Day in priority to any notices of redemption subsequently submitted by any Shareholder, and the redemption amount will be based on the NAV applicable on such next Dealing Day less the Incentive Fee described below.

<b>Board</b>	The Fund will have a board of directors composed of up to five directors.
<b>Custodian</b>	Citibank N.A., Hanoi Branch.
<b>Administrator</b>	Citibank N.A., Singapore Branch. See Section VI headed " <i>Management and Administration</i> " of this Memorandum.
<b>Advisory Fees; Incentive Fees</b>	<p>The Investment Advisor will receive from the Fund (i) the Advisory Fee paid monthly in arrears for the duration of the Fund and (ii) the Incentive Fee paid annually in arrears for the duration of the Fund.</p> <p>The Advisory Fee will be equal to 1.5% per annum of the NAV as at each Dealing Day of the Fund, paid to the Investment Advisor monthly in arrears.</p> <p>The Incentive Fee will be equal to 20% of the increase in the NAV per Participating Share during an Incentive Fee Period that is in excess of the Base Net Asset Value.</p> <p>Please refer to Section VII headed "<i>Fees and Expenses</i>" of this Memorandum for more details.</p>
<b>Initial Costs</b>	The organizational and pre-operating expenses of the Fund paid on behalf of the Fund by the Sponsor up to the aggregate amount of US\$200,000 will be reimbursed to the Sponsor by the Fund and amortized by the Fund over a period of 5 years.
<b>Other Costs</b>	The costs and expenses of any financial reporting that may be necessary or required to be made under applicable law or regulation by the Investment Advisor or the Sponsor to any government authority, regulatory body or administrative agency will be borne by the Fund.
<b>ERISA</b>	The Fund will take such actions as may be necessary, including limiting investment by "Benefit Plan Investors" (as defined under ERISA) to less than 25% of the value of Participating Shares and compulsory redemption of Participating Shares, to ensure that its assets should not be deemed "plan assets" under ERISA. However, an investment in the Fund by employee benefit plans and other retirement plans requires special consideration. See Section XII headed " <i>Tax and ERISA Considerations</i> " and " <i>Memorandum and Articles of Association</i> " of this Memorandum.
<b>Taxation</b>	The Fund has been advised that, under current law and practice,

the Fund will not be subject to any income, capital gains or other tax in the Cayman Islands. The Fund may be subject to a number of taxes in Vietnam in certain circumstances, as described in Section XII headed "*Tax and ERISA Considerations*". The companies and projects the Fund invests in will be subject to tax in Vietnam. See Section V headed "*Overview of Vietnam*". The Fund will be treated as a corporation for U.S. federal income tax purposes.

**Subscriptions**

Participating Shares may be purchased (a) inside the United States only in reliance upon an exemption provided by Section 4(2) of the Securities Act and only by investors that are "accredited investors" as defined in and in reliance on Regulation D under the Securities Act and that have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investing in and holding the Participating Shares and (b) outside of the United States pursuant to Regulation S under the Securities Act. Each subscriber for Participating Shares will be required to execute a Subscription Agreement, the form of which will be provided by the Investment Advisor. The Board and the Administrator, acting on behalf of the Fund, shall have the right in their sole discretion to accept or reject any application to subscribe for Participating Shares. See Section IX headed "*Procedures for Subscription, Redemption and Transfer*" of this Memorandum.

**Transfer Restrictions;  
Compulsory Transfer and  
Compulsory Redemption**

Participating Shares may not be transferred without the prior consent of the Board. Under the Memorandum and Articles, the Fund has the power to limit ownership of Participating Shares by certain persons and may cause a compulsory redemption of Participating Shares held by or on behalf of any such person in certain circumstances. The Fund may also cause a compulsory redemption of Participating Shares in the event that a Shareholder fails to provide required information. See Section X headed "*Memorandum and Articles of Association*".

**Minimum Subscription**

The minimum subscription per Shareholder is US\$1 million, although the Board may instruct the Administrator on behalf of the Fund to accept investments in smaller amounts on a selective basis, subject to a minimum of US\$100,000.

**Payment**

Payment for Participating Shares shall be made by wire transfer of immediately available funds to an account designated by the Administrator pursuant to the terms of the Subscription Agreement.

**Settlement**

The Participating Shares will be issued in registered form, and ownership of the Participating Shares will be recorded in the share register of the Fund maintained by the Administrator.

**Placement**

The Fund may from time to time enter into agreements with placement agents with respect to the placement of Participating Shares. Any such agreements will be on an arm's-length basis and will be subject to the payment by the Investment Advisor of fees customary in such transactions.

**Available Information**

The Fund's financial year begins on January 1 and ends on December 31 of each year. The Fund will send to each of its registered Shareholders a semi-annual report including unaudited financial statements for the preceding semi-annual period within four months after the half year end and an annual report including audited financial statements for the preceding financial year within six months of the completion of the audit. In addition, the NAV per Participating Share will be calculated as at each Valuation Day and will be available on the Bloomberg news service.

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## IV. INVESTMENT OBJECTIVE AND RESTRICTIONS

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### **Investment Objective**

The primary objective of the Fund is to provide its Shareholders with capital appreciation through investments in equity interests in listed and unlisted investments in Vietnamese companies, primarily those that have equitized or are in the process of equitization. The Fund will target those equitized and equitizing SOEs which are attractive businesses with promising growth potential and in the case of unlisted companies have the potential to list on the STC within one to two years. The Fund may invest up to 100% of its assets in such companies. The Fund may also from time to time invest in joint stock companies or in entities registered outside of Vietnam, the main assets of which are located in Vietnam. Each investment is expected to be in the range of US\$1.0-3.0 million, although smaller or larger investments will be considered in appropriate circumstances.

As used herein, the term "equity interest" means any form of equity investment, including unlisted and listed common and ordinary shares, equity-linked instruments, convertible and other equity-linked loans and interests in joint stock companies pursuant to the equitization of SOEs.

The Fund will seek to invest its assets as soon as is prudent after the Initial Offering Period. There can be no assurance, however, that the Fund will be able to invest all or substantially all of its assets in accordance with its investment objectives and policies soon after such date or at any time.

### **Investment Policies**

The Fund seeks to invest in listed and unlisted Vietnamese companies which it considers to have strong growth potential, sound management, and, in the case of unlisted companies, the potential to list on the STC. Dividend income will normally be a secondary consideration in making investment decisions.

As part of the Fund's cash management activities, the Fund may invest in Vietnamese fixed income securities and from time to time, depending on opportunities perceived by the Investment Advisor, the Fund may seek to enhance returns through exposure to Vietnamese credit default swaps.

### **Investment Criteria**

The Investment Advisor will seek out, identify, evaluate, develop and undertake investments under the supervision of the Board, who will be responsible for monitoring the investment process, investment transactions and portfolio performance. In identifying, evaluating, developing and undertaking investments for the Fund, the Investment Advisor will be guided by the following initial policies and criteria:

- (a) preference will be given to investment in companies or enterprises which undertake to adhere to internationally accepted accounting, auditing and financial reporting standards and practices and disclosure requirements;
- (b) the Fund will invest in companies and enterprises which are believed to have capable general and financial management and to be in industries or sectors with growth potential;

- in considering investment proposals, the Fund will give priority to investments which have the potential for realizing gains for the Fund over the medium-term;
- (c) the Fund will seek to reduce the risks inherent in investing in individual companies or industrial sectors by ensuring that the Fund's portfolio is adequately diversified in terms of the numbers, size and nature of holdings and industrial sectors in which investments are made; and
  - (d) in order to facilitate investment in an equity interest of a Vietnamese company, the Fund may, subject to the restrictions described below, provide interim debt financing to, or guarantee loans for, such company (collectively, “**Bridge Financing**”).

Presently, it is anticipated that the Fund's invested assets will be denominated principally in Dong. It is currently not always possible to hedge that currency at a competitive rate. The Board may take appropriate measures or enter into relevant arrangements to hedge currency risks if such arrangements become available at competitive rates and the Board views such arrangements as appropriate, but the Fund is not obligated to enter into hedging transactions.

Monies held by the Fund pursuant to the disposal of an investment in investee companies or received by way of distributions such as dividends may be invested in U.S. Dollar or Dong denominated bank accounts, bank certificates of deposit, government bonds and debentures, financing bonds, government-backed or guaranteed corporate bonds, commercial paper and other money-market instruments.

Any changes to the Fund's investment policies, any proposal to extend the business scope or limit the operations of the Fund, and any changes in the investment restrictions and borrowing policy which are set out below, require the approval of 75% of the Shareholders present and voting at a special meeting called for such purpose.

### **Investment Restrictions**

As a matter of policy, the Fund will observe the following investment restrictions:

- (a) up to 100% of the Fund's assets may be invested in equity interests in Vietnamese companies or in shares of companies (whether or not listed on a securities exchange outside Vietnam) the majority of whose assets are in Vietnam;
- (b) the Fund will not make any investment if, as a result, more than 30% of the NAV would be invested in a single sector or more than 15% of the NAV would be invested in a single company;
- (c) the Fund will not exercise effective management control over any company (although the Fund will actively monitor its investments, may acquire more than a 50% interest in a company and will be free to seek representation on the board or other similar supervisory body of any such company);
- (d) the Fund will not make any investment which is believed to expose the Fund to unlimited liability (provided, that in certain cases it will be necessary for the Fund to limit its liability by investing through specially-formed intermediate holding companies);
- (e) the Fund will not deal short or on margin;

- (f) the Fund will not invest in securities issued by any unit trust, open or closed-end investment company or other similar collective investment vehicle if, as a result, more than 10% of the NAV would then be invested in such securities; and
- (g) the Fund will not buy or sell commodity options or futures (or any contracts associated therewith), although the Fund may make investments which are secured by commodities and in the securities of companies which invest or deal in commodities.

The Board may from time to time impose other restrictions on investments, and the Fund and the Investment Advisor will be required to adhere to and comply with any such restrictions.

The above restrictions shall only apply at the date at which an investment is to be made and the Fund shall not be required to comply with the foregoing restrictions at any time after the investment is made. Accordingly, the Fund shall not be required to comply with the above restrictions if (after an investment is made) the limitations contained in the above guidelines are exceeded due to (i) appreciation or depreciation in the value of the investment after the date that the investment was made, (ii) changes in any relevant exchange rate, (iii) any alterations in share capital in the company in which the investment is made, including bonus issues, rights issues and other distributions of a capital nature, reductions or consolidations of capital, or arising from any exchange or conversion of securities, or any scheme or arrangement for amalgamation, reorganization or reconstruction, or the exercise of any pre-emption rights in any joint venture arrangements or (iv) any other factor whatsoever. The restrictions set forth shall not prohibit the Fund from investing through intermediate holding companies or joint venture companies established outside of Vietnam.

### **Borrowing Policy / Leverage**

The Memorandum and Articles do not contain any restriction on the amount or type of borrowings by the Fund. As a matter of policy, the Fund will not borrow, or give guarantees in respect of borrowings or other obligations (including guarantees for Bridge Financings), except as set forth in the following paragraphs.

The Fund may engage in back-to-back borrowing, with the approval of its Board, by depositing as collateral an amount equivalent to the amount of a loan with the lender or an institution related to the lender. Such borrowings, structured as "back-to-back" loans, may be employed to obtain loans in a non-convertible currency. Back-to-back borrowing may also be used without restriction to minimize taxation or to reduce currency conversion costs. Borrowings by investee companies in Vietnam and by intermediate holding companies and joint venture companies outside Vietnam, through which the Fund invests, will not be subject to the restrictions. Except as set forth above, any borrowing by the Fund requires the unanimous approval by the Shareholders of the Fund.

The Fund may borrow money to pay any fees (including without limitation the Advisory Fee and Incentive Fee) in order to alleviate any liquidity issues that may otherwise restrict the payment of such amounts, or otherwise adversely affect the Fund.

### **Realization of Investments**

Investments of the Fund will be realized from time to time at the discretion of the Investment Advisor according to market conditions and the individual features of investments. Although there are a variety of methods by which unlisted investments may be realized, the Investment Advisor

expects that the main realization strategy will be by the sale of investments upon or after their listing or by a trade sale of the investments. In addition, realizations of investments may be made by means of sales to third party institutional, corporate or individual investors. The proceeds of any realization of the Fund's investments will generally be reinvested. In the event that any investment by the Fund will be sold to a Finansa group company, the price for such sale will be determined on the basis of a third party evaluation.

- **Fund Size.** The Fund's strategy reflects its understanding of Vietnam's emerging capital markets. While opportunities are becoming increasingly abundant, scalability is an issue. As such, larger funds will typically either hold larger positions, which are inherently less liquid, or a greater number of smaller positions, which requires a large infrastructure. While this is positive in that such factors are expected to keep the number of new market participants to a minimum, the Investment Advisor prefers to construct a portfolio of 10 to 20 positions in any given year, or a target fund size of US\$50 million. By doing so, the Investment Advisor believes it can avoid undue amounts of event risk, lowering the downside volatility of the Fund.
- **Liquidity.** Shareholders may redeem Participating Shares on a monthly basis after the Lock Up in respect of the relevant Participating Shares as described in Section IX headed "*Procedures for Subscription, Redemption and Transfer*".

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## V. OVERVIEW OF VIETNAM

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*The following overview should be read in conjunction with the information set forth in Appendix B and with the information described in Section XIII headed "Certain Risk Factors, Conflicts of Interest and Other Special Considerations". A summary table of economic indicators is set forth at Appendix B-1.*

### 1. **General**

Since the mid-1980s, the Government of Vietnam has taken a series of steps designed to move the Vietnamese economy from a centrally-planned system to a more mixed, market-oriented system. Early reforms were gradual, but the final disintegration in 1989 of the Soviet bloc, on which Vietnam was highly dependent for trade and assistance, forced the Government to adopt a more radical approach to stimulate economic growth and to help to restore Vietnam's position in the international community.

In the early 1990s, the Government emphasized macroeconomic measures to reduce inflation and to bring comparative stability to the Dong/U.S. Dollar exchange rate. The private sector also emerged for the first time with the passage of the Company Law in 1991. Simultaneously, the Law on Foreign Investment permitted SOEs to engage in direct cooperation and investment with foreign investors. These tentative steps towards economic reform, combined with growing recognition of Vietnam's economic potential, notably in terms of abundant natural resources and relatively well-educated population, against a background of booming Asian stock markets in 1992 and 1993, proved persuasive arguments to potential investors.

In the light of these developments, 1994 saw the launch of a series of Vietnam country funds promoting Vietnam as the next "Asian Tiger". The substantial funds raised overwhelmed the few viable investment opportunities available at that time, with Vietnam proving to be a far more difficult and hazardous place to invest than generally anticipated. Difficulties putting capital to work and the poor performance of many of the early investments led to many of these original investment funds being wound up.

In 1997, with the onset of the Asian financial crisis, the Vietnamese economy proved relatively resilient, in large part due to its relative isolation from the outside world. One consequence, however, was that in the immediate aftermath of the crisis, the progress in economic reform in Vietnam slowed. This slowdown proved temporary, however, in part due to a slowdown in foreign direct investment which prompted the government to introduce structural reform to maintain an economic growth rate of 6%-7%, a rate seen as desirable to promote both economic and social improvements.

In recent years, with the recovery in the Asian economies generally and an improving economic performance in Vietnam, economic reform has developed significant momentum. The three main forces underpinning growth in recent years have been trade liberalization, reform of the SOEs and the encouragement of a true private sector. The directors of the Fund believe that these important policy changes are likely to sustain Vietnam's economic growth and create significant investment opportunities.

The improvement in Vietnam's economic performance since the late 1990s is evident in the upward shift in GDP growth rates. The annual average rate of growth of Vietnam's GDP during the period 1998-2000 was 5.8%, compared to 8% from 2004-2006. The Government projects GDP growth in 2007 to be 8.2-8.5%, up from 8.17% in 2006, which would make Vietnam one of the world's fastest growing economies along with China and India. From a sectoral perspective, industry and construction have now overtaken agriculture as the dominant sectors within the Vietnamese economy, although the commercialization of agricultural output remains a significant sector, employing over 50% of Vietnam's total workforce.

Vietnam's recent economic expansion has been driven by export growth and brisk domestic investment. In 2006, export growth was an impressive 22.1%, while imports of machinery and production inputs also grew significantly to support the expanding export industries. This performance is attributed to improved access to the U.S. market under the bilateral trade agreement with the United States ("USBTA"). This agreement, which came into effect in December 2001, slashed U.S. import duties on goods imported from Vietnam and provided for the phasing out of non-tariff protection measures such as quotas. Strong export earnings are expected to continue following Vietnam's entry into the WTO in January 2007.

As part of the accession process to the WTO, the Government has initiated a series of policies to address economic, legal and structural reform. A major part of the reform agenda includes the restructuring of the State enterprise sector, which includes, among other objectives, the divestiture of State ownership. From the period 1990-2005, the number of SOEs was reduced from approximately 12,000 to approximately 3,000. The Government targets to equitize (the Vietnamese equivalent to privatize), sell or liquidate the remaining number from now to 2010. Only companies in 19-designated key sectors (eg. oil and gas, airline, electricity, post and telecom, shipping, etc) will remain wholly State-owned.

While the capital market is still a relatively new concept in Vietnam, the Government has set up two STCs in Ho Chi Minh City and Hanoi for joint stock companies to list shares. Since its inception in July 2000, the Ho Chi Minh City STC ("HoSTC") now has 138 listed companies, with a market capitalization in the aggregate of approximately US\$21.82 billion (end-December 2007). HoSTC has very recently been upgraded to the Ho Chi Minh City Stock Exchange ("HoSE"), by virtue of Decision No. 59/2007/QĐ-TTg of the Prime Minister dated May 11, 2007. The Hanoi STC ("HaSTC") opened in September 2004 and as of December 31, 2007 has 112 listed companies; market capitalization at end-December 2007 was US\$9.15 billion.

Investors in the market have been primarily individuals, although foreign investment funds are increasingly moving funds into Vietnam. With the Government's program to equitize bigger and more important SOEs and to limit banking credits, however, the STC is expected to become a viable source of fund raising in the near future.

The STC Index rose from a level of 100 in its first year of operation to a peak of 571 points 12 months later. It subsequently retreated to a low of 130 in October 2003 and traded within a narrow range near 300 points for most of 2004 and 2005. Since early 2006 the market has enjoyed a remarkable rally. The index went to an historical high of 1170 points on March 18, 2007. A steep correction ensued and finished the year 2007 at 927.02 points. A total of 155 new companies were listed in 2006 (77 and 78 on the HoSE and HaSTC, respectively), many of which are extremely profitable and are considered the leading companies in their sectors. The Government is also pushing seriously the privatization of SOEs (in construction, electronics, telecom, insurance,

banking, beer/beverage), helping to drive local and foreign investor expectation for a continued bull market in the medium term.

## 2. Equitization

### **Background**

The term "equitization" was first introduced in the VIIth Party National Congress Resolution in 1991 as part of a policy initiative on SOE reform. It refers to an attempt at ownership diversification by transforming SOEs into joint stock enterprises in conformity with a market-oriented economy. Since the Government launched the pilot equitization program in 1992, by the end of 1995, only five SOEs in Vietnam had successfully changed ownership structure under the Company Law. These included the General Forwarding and Cargo Agency under the Ministry of Communication and Transport, the Mechanical and Electric Refrigeration Enterprise under Ho Chi Minh City Industrial Services, the Hiep An Footwear Factory under the Ministry of Industry, Long An Export Processing Company under the Long An People's Committee, and Livestock Feed Processing Company under the Ministry of Agriculture and Rural Development.

### **SOE Reform and Various Related Decrees**

After this early period, the Government introduced, through several legal decrees, measures to encourage other SOEs to transform into joint stock companies. The first equitization decree in 1996 (Decree No. 28/1996) was relatively unsuccessful, raising the number of equitized SOEs from five to 29 out of around 6,000 SOEs in existence as at the end of June 1998. Moreover, at least two-thirds of the shares in these equitizations were generally reserved for the State and company employees, leaving only a fraction of the shares in the hands of the public.

Many analysts as well as people in Government agree that the process during this period was too slow, with inherent problems stemming from both Government bureaucratic procedures and the motivation of SOEs. On the Government side, too many decision makers were involved. Companies were obliged to seek approvals from the Ministry of Finance and various related ministries and Governmental bodies to which the SOEs belonged.

In addition, the process had been unclear and non-standardized, especially with respect to the valuation process and the issue of land use rights. An application for equitization usually took up two years to complete. Another reason for the slow pace of approval and change was the Government's uncertainty in relinquishing its leading role in the State sector. On the other side, the management of some SOEs were unwilling to petition to change the status quo. Afraid of losing control of the enterprise, they believed that managing an enterprise directed and funded by the Government was easier and safer than answering to multiple shareholders.

By mid-1998, under the shadow of the Asian financial crisis, the Government decided it had to address criticism from multilateral financial institutions on the slow pace of SOE reform and to answer the repeated appeals from investors, mainly foreign, to open a stock exchange as a means to attract more investment capital. The Government announced a prioritized program aimed at advancing the equitization process, as under the Government's plan, any stock exchange would, at least initially, only trade in shares of equitized companies.

Decree No. 44 signed on June 29, 1998, amending Decree No. 28 and other documents on equitization, divided all SOEs into three categories: 1) those in which the State would maintain 100% control; 2) those which would be equitized, but in which the State would retain special stakes

and voting rights; and 3) those in which the State would not keep a fixed interest. Decree No. 44 also stated that companies with a capital value worth more than VND10 billion (US\$633,874) would be valued by the Ministry of Finance, while line ministries and People's Committees would be responsible for valuing smaller companies. Decree No. 44 also defined the maximum amount of any equitized SOE which a legal entity or individual could buy.

With respect to foreign investors, Decree No. 44 simply stated: "Selling shares to foreign investors should be implemented in accordance with the Government's regulations." These regulations came out nearly a year later, in April 1999, allowing foreign investors collectively to own a maximum of 30% of the total shares of any equitized SOE, provided that the company petitions and receives Government approval. Despite its limitations, Decree No. 44 accelerated the equitization program, raising the number of equitized companies from 29 in June 1998 to 912 by May 2002. Its success was partly due to tax incentives for equitizing companies, allowing those entities to enjoy a two-year tax holiday plus a two-year 50% tax reduction period.

### **Decree No. 64 on Conversion of SOEs into Joint Stock Companies**

In an effort further to accelerate progress of the Equitization program, the Government promulgated Decree No. 64/2002/ND-CP dated June 19, 2002 ("**Decree No. 64**") to replace Decree No. 44. Decree No. 64 provided greater clarification and lifted restrictions that had proved impediments to equitization thus far. The following is a summary of the major reforms provided in Decree No. 64.

- 1) Decree No. 64 removed the limitations on investor shareholdings contained in Decree No. 44. Vietnamese individual and corporate investors are free to buy shares of any equitizing SOE that is issuing shares for the first time upon its equitization, without restriction on ownership percentages. Foreign shareholding of an equitized SOE both at the time of equitization and at all subsequent times, is limited to 30%.
- 2) An equitizing SOE is required to allocate the shares it initially issues in a particular order, of which at least 30% of the remaining shares must be allocated to outside investors. The purpose of this regulation is to mobilize more capital from the public and to prevent companies from retaining too many shares for insiders. However, the breadth of this provision was somewhat moderated when Decree No. 64 was replaced. Please see the next section.
- 3) One of the most important reforms for which Decree No. 64 was responsible related to the valuation of state assets in the equitization process. It emphasized the use of asset valuation to determine an equitizing SOE's value. Other methods were also permitted but only in special cases.
- 4) With respect to issues of labor, SOEs are no longer obliged to retain all of their employees when equitized. Formerly, they were required to retain all employees for a period of at least 12 months after the transition, placing a heavy burden on firms and hindering efforts to restructure operations after equitization.
- 5) Decree No. 64 confirmed that foreign investors have the same rights and obligations as local investors. Foreign investors can purchase up to 30% of the shares in equitized companies which conduct certain businesses identified by the Prime Minister, and can participate in their management through Vietnamese representatives who sit on such companies' boards of directors. The voting rights held by the foreign investor should correspond to the foreign investor's ownership percentage. Decree No. 64 also incorporated

some provisions of Decision No. 139 dated June 10, 1999, which allows foreign investors to trade shares of equitized SOEs on the STC.

### **Decree No. 187-2004-ND-CP on Conversion of SOEs into Joint Stock Companies**

The Central Executive Committee of the Party passed a resolution to boost further the restructuring campaign of SOEs in early 2004. As a result, the principal legal basis for SOE equitization went through another round of review, and Decree No. 64 was replaced by Decree No. 187/2004/ND-CP of the Government dated November 16, 2004 (“**Decree No. 187**”).

The types of SOEs which *may* be equitized are extended under Decree No. 187, from independent SOEs and independent accounting member companies to large State owned corporations (including State commercial banks and financial institutions). Whether a particular SOE *will* be equitized depends on its categorization under Decision No. 155 (i.e., whether it falls into the category of SOEs in which the State no longer requires to own 100% equity). Under Decree No. 187, in the equitizing SOE’s initial share issue, sales of shares to outside investors (including foreign investors) must be effected through a price bidding process. If the value of shares to be sold to outside investors is VND1 billion or less, the SOE may conduct the bid itself. If it is more than VND1 billion, the bid must be conducted through an intermediary financial organization. In case the shares to outside investors are worth more than VND10 billion, the bid will be made through the STC.

Decree No. 187 retains the order of priority of initial share sale by an equitizing SOE under Decree No. 64, but changes the percentages allocated to each category of shareholders. In particular, after allocating shares to the State’s interest, the equitizing SOE must first make shares available to its existing employees who are entitled to purchase up to 100 shares for each year of employment at a discount of 40% of the average bid price to outside investors. The next tier in the priority order is the equitizing SOE’s strategic domestic investors, such as its suppliers which are entitled to purchase up to 20% of the number of shares for sale at a discount of 20% of the average bid price. Finally, at least 20% of the SOE’s charter capital must be made available for sale, as mentioned above, through a bidding process, to other outside investors, including foreign investors. This lot also includes shares which the SOE’s employees and strategic domestic investors want to acquire in addition to shares allocated to them as discussed above.

Decree No. 187 lowers the par value of one share to VND10,000 from VND100,000 under Decree No. 64.

Decree No. 187 provides in detail for two methods to determine the value of an equitizing SOE: asset valuation method (in effect, net asset worth), discounted cashflow method (based on the assessment of the enterprise’s ability to be profitable in the future). "Other methods" of valuation are possible, but it is not clear in what circumstances they can be used.

A new point under Decree No. 187, compared with Decree No. 64, is that, if the value of an SOE with a total asset value in its books of account of VND30 billion or more, the valuation must be conducted by an organization (domestic or foreign) which specializes in valuation, such as an auditing company, a securities company, an investment bank, etc. A foreign expert that does not operate in Vietnam can be selected, but the Ministry of Finance must approve. Under Decree No. 64, in all cases, the valuation could be conducted by a "valuation council" established by the SOE. Now, only SOEs with a total asset value of less than VND30 billion may conduct their own valuations.

Although Decree No. 187 did not mention the 30% limit on foreign ownership in an equitized company like Decree No. 64 did, such limit exists under Decision No. 33/2003/QĐ-TTg dated March 11, 2003 of the Prime Minister as described in “Vietnam’s Foreign Investment Legislation”. However, under Decree No. 187, foreign entities are not eligible to participate as a strategic investor in an equitized SOE.

Decree No. 187 came into effect on December 10, 2004, and replaced Decree No. 64.

With the advent of the new decree, the government put into operation a new SOE reform road map that included divestiture plans by line ministries, provinces and general corporations (“GCs”) with the overall aim of reducing the number of SOEs to under 2,000. Although the progress of SOE transformations remains far short of the plan, it is faster than it has ever been. As at end-2006, the number of SOEs is estimated to be under 3,000.

Most transformed enterprises have been small: almost 80% of them had chartered capital of less than VND10 billion (US\$600,000). However, the Government has allowed some major GCs to go public in 2005-2007, including: Vinamilk; Vietnam Construction Corporation; Bao Minh Insurance company; Vietnam Reinsurance Company; Vietnam Electronics Corporation, Phu My Fertiliser, and Vietnam Insurance Corporation.

At the end of 2006, the government reiterated its commitment to equitize state assets with a new SOE road map for 2007 – 2010. The latest plan names 71 GCs that will equitize with a timetable for going public. For example, the list indicates that the following GCs will be targeted for equitization in 2007 – 2008:-

- Saigon Beer and Beverage Corporation
- Hanoi Beer and Beverage Corporation
- Mechanical Construction Corporation
- Song Hong Construction
- Construction Company No 1
- Vietnam Seafood Corporation
- Vietnam Silk Corporation
- Sugar Corporation No 1
- Sugar Corporation No 2
- Vietnam Medical Supply Corporation
- Vietcombank
- Mekong Housing Bank
- Hanoi Housing and Development Corp.
- Hanoi Infrastructure Development Corp.

**Decree No. 109/2007/ND-CP of the Government on Conversion of Enterprises with 100% State-Owned Capital into Joint Stock Companies.**

After two years of implementation, Decree No. 187 began to fall behind the development of the market, as well as legislative development in other areas, such as corporate and investment laws. On June 26, 2007, the Government issued Decree No. 109/2007/ND-CP (“**Decree No. 109**”) to replace Decree No. 187.

Decree No. 109 introduces additional types of SOEs that can be equitized. Under Decree No. 187, only companies in which the State does not intend to hold 100% equity could be equitized.

However, according to Decree No. 109, an SOE of any type can be equitized. Among others, it can be a State-owned corporation, a holding company of a group of SOEs or a stand-alone company in which the State currently holds 100% equity.

While under Decree No. 187, an IPO could be conducted only by the mode of public auction, Decree No. 109 provides that an IPO can be conducted by way of public auction, underwriting or private placement. However, underwriting and private placement may be implemented only after a public auction has taken place. Furthermore, a private placement may only be used for the purposes of selecting strategic investors.

Under Decree No. 187, only a domestic investor could become a strategic investor in an equitized SOE. Also, a strategic investor was entitled to a 20% discount from the average public auction price. Decree No. 109 provides for a common basis for domestic and foreign investors to bid to become a strategic investor. However, a strategic investor under Decree No. 109 is not entitled to discount on its share subscription price. Under Decree No. 109, the offer price to a strategic investor cannot be below the average weighted bidding price obtained in the public auction.

Under Decree No. 109, shares of an equitized SOE initially to be offered to the public are distributed as follows:

- a) Shares to be owned by the State: The level of the State's holding in an equitized SOE is regulated under specific stipulations on holdings in different types of SOEs that would be announced by the Prime Minister from time to time.
- b) The total number of shares to be offered to outside investors, including strategic investors and other investors, cannot be below 25% of the post-equitization charter capital of the equitized SOE, provided that the number of shares to be offered to strategic investors may not be more than half of that total number of shares to be offered to outside investors;
- c) For an SOE in which the State-owned capital is at least VND 500 billion, or for an SOE that operates in a special sector, such as banking, telecoms, aviation, mining, the total number of shares to be offered to outside investors will be determined by relevant authorities on a case-by-case basis.
- d) The trade union at an equitized SOE is entitled to subscribe for up to 3% of the charter capital of the enterprise; and
- e) The balance can be offered to all regular employees of the enterprise at a discounted price.

### **Why Invest in Equitized Companies?**

The Fund will focus on investment in equitized companies and equitizing SOEs, although the Fund may from time to time invest in joint stock companies. There are currently approximately 3,000 equitized companies and a larger pool of equitizing SOEs over the next two years. A number of these companies, which have relatively small shareholders' equity, have franchises (and brands) which are well established in regional markets. To the extent that many industries and services within the country remain fragmented, the Fund sees room for these companies to grow and establish their businesses countrywide. Furthermore, the Government has published a timetable for equitizing the State-owned corporations, some of whom until only recently enjoyed a monopolistic position in their respective sectors.

According to the National Steering Committee of Enterprise Development and Reform, in a survey of 500 equitized companies in the period 2001-2003, equitized companies recorded an average 5%-

100% per annum increase in capital, 60% in turnover, 70% in pre-tax profit, 13% in employment and 63% in worker income. Many equitized companies offer potentially attractive yields and high return on equity because of their low valuations at the time of equitization.

Another element that makes investment in equitized companies attractive is their large shareholder base relative to private, family-run enterprises. A broad shareholder base is one driver of improving governance, transparency and performance. Equitized companies also offer the most liquidity, with almost all listed companies and most companies whose shares are traded over the counter but not on a formal securities exchange to date in this category.

### 3. Vietnam's Foreign Investment Legislation

*The following summary of legislation is based on Vietnamese laws, decrees, circulars and ancillary legislation in force as at the date of this Memorandum, as interpreted and implemented by relevant Vietnamese regulatory authorities.*

#### **Securities and the Securities Market**

On November 28, 2003, the Government issued Decree No. 144/2003/ND-CP (“**Decree No. 144**”) on Securities and the Securities Market. This decree replaces Decree No. 48/1998/ND-CP (“**Decree No. 48**”) dated June 11, 1998. Decree No. 144 sets forth provisions concerning the public issuance of securities, securities listing, securities trading, securities business and activities and services related to securities and the securities markets within the territory of the Socialist Republic of Vietnam.

According to Decree No. 144, a public issue of securities need not be licensed as formerly provided in Decree No. 48, but must be registered with the SSC. The minimum amount of paid-in charter capital applicable to an initial public issue of share certificates is VND5 billion (US\$316,937) at the time the issue of the share certificates is registered. The issuer must have reported profits for one year prior to the issuance.

The conditions for listing, however, are different. First, after the shares are issued through a public issuance procedure, a permit to list must be obtained from the SSC. Second, the minimum amount of paid-in capital to obtain such a permit is also VND 5 billion. However, the issuer must have reported profits for two years prior to submission of an application for listing compared to the one year requirement for registration. Finally, at least 20% of the issuer’s capital must be held by a minimum of 50 outside investors who, among other things, are not management and staff of the company (the 20% floor is lowered to 15% in case the company’s charter capital is VND100 billion or more).

The first Law on Securities came into effect in January 2007. Major aspects of the law include

- **Public Offering (“PO”)**: An issuer must have at least VND 10 billion in paid-up charter capital at the time it files for an PO. It must also be profitable in the preceding year, and must have no accumulated losses as of the time of the PO. The law sets an arbitrary par value of VND10,000 per share for an PO. The SSC will issue an PO certificate to the issuer. After the issuer receives an PO certificate from the SSC, it is required to publish PO notices in local newspapers. Of note, an SOE, when it is being equitized and is making an PO, is not required to register the PO with the SSC. However, it appears that such an SOE is still subject to the public notice requirement. An investor is required to pay the purchase price into an escrow

account. The issuer must allot shares to investors within 90 days after it has the PO certificate, and must deliver the shares to the investors within 30 days after the PO is complete.

- **Public Companies:** This is a new concept in Vietnam. A listed company is, of course, considered a public company. An enterprise, upon an PO, becomes a public company, whether or not its shares are listed. A joint stock company that has 100 investors or more (excluding professional investors) and has a paid-up charter capital of VND 10 billion or more, is also considered a public company. Shares of a public company must be exclusively registered and held in custody at the securities custody center. Any shareholder holding (it is not clear whether directly or indirectly) 5% or more of the voting shares of a public company, must be reported to the SSC and recorded at the relevant STC. A change in the shareholding in excess of 1% must also be reported.
- **Listing:** The new Law on Securities does not specifically regulate listing. It provides generally that there will be regulations in respect of the conditions and procedures for a company to list. However, no such regulations are yet in place.
- **Stock Market:** The Law on Securities allows only two forms of stock market, namely a STC and a securities exchange. No other individuals or organizations are permitted to form any other forum for securities trading activities. The law regulates the mechanism, operating organization as well as rights and obligations of securities companies involved in securities transactions on the relevant STC or securities exchange.
- **Offshore Securities Firms and Fund Management Companies Operating in Vietnam:** A foreign fund management company or securities firm can (i) set up a representative office; or (ii) set up a branch (there are certain conditions/qualifications in this connection); or (iii) form a joint venture fund management company; or (iv) participate in a fund management company; or (v) set up a fully foreign owned subsidiary in Vietnam (again, there are certain conditions to meet in the foregoing cases).

In order for an offshore securities firm or fund management company to set up a branch or a legal entity in Vietnam, the following main qualifications/conditions are to be met:

- The offshore investment manager is duly incorporated and lawfully operating in the relevant foreign country; and
- The branch to be set up will have to have a legal capital of at least VND25 billion (about US\$1.5 million); and
- The branch director and professional staff will have to have securities practice certificates issued by the SSC.

Although the Law on Securities permits a foreign securities firm or fund management company to set up a 100% foreign owned legal entity or a branch in Vietnam, this possibility is yet to be realized according to Vietnam's commitments in the WTO. In particular, Vietnam has committed that, as part of its accession to the WTO, upon accession to the WTO (i.e. January 11, 2007) until January 10, 2012, a foreign securities company or a foreign fund management company will only be allowed to set up a joint venture with up to 49% foreign ownership. Only after five years (from January 2012), will a 100% owned subsidiary of a foreign securities company or a foreign fund management company be permitted in Vietnam.

The WTO schedule is silent on the possibility for a foreign securities company or a foreign fund management company to set up a branch in Vietnam. It has been interpreted that the same restrictions (on the phase-out basis as discussed above) would apply to a branch.

However, it is recently reported that the Government is in the process of considering to relax various restrictions it has imposed in some industries sooner than as mandated in the WTO schedule. Securities services may be included as a preferred industry so that a foreign securities company or a foreign fund management company can set up a branch or a 100% foreign-owned securities company or 100% foreign-owned fund management company earlier than January 2012. It is also reported that the Ministry of Finance is drafting regulations on the operation of foreign securities companies and foreign fund management companies in Vietnam and these regulations will address the early removal or relaxation of the restrictions under the WTO agreement.

The Government enacted Decree No. 14/2007/ND-CP (“**Decree No. 14**”) in January 2007 to implement the Law on Securities. Insofar as investments by offshore investment funds and activities of representative offices of offshore fund management companies in relation to securities in Vietnam, Decree No. 14 is somewhat explicit that an offshore investment fund which invests in securities in Vietnam, needs either to mandate a local fund management company or to set up its own branch in order to manage the fund’s investments in Vietnam. However, there is, at this point, no guidance to implement such stipulation.

### **Foreign Participation in Vietnamese Companies**

Decision No. 36/2003/QĐ-TTg dated March 11, 2003 (“**Decision No. 36**”) opens up the local primary unlisted securities market to foreign investment. The regulations define foreign investors broadly to include:

- Foreign financial/economic organizations legally established under foreign laws and operating in foreign countries or Vietnam;
- Foreigners who do not reside permanently in Vietnam;
- Foreigners who reside permanently in Vietnam; and
- Overseas Vietnamese.

Unlisted Vietnamese enterprises that may receive capital contributions and/or sell shares to foreign investors include the following: state enterprises which are in the process of being equitized, joint stock companies, limited companies, partnerships and coalitions of cooperatives doing business in fields and sectors decided by the Prime Minister or announced from time to time by the Minister of Planning and Investment under the Prime Minister’s authorization.

In the private sector, there are currently 35 fields which qualify for foreign investment, ranging from manufacturing to services. Foreign investors may contribute or buy up to 30% of the chartered capital of a Vietnamese non-SOE in these fields.

Approval from the Prime Minister is no longer needed. Instead, for SOEs under equitization process, the authority in charge of approving equitization plan of the SOE has the authority to approve capital contribution and share purchase by foreign investors where SOEs are concerned. In addition, such enterprises that have sold shares to foreign investors are required to notify the authority which has approved their equitization of the resulting foreign ownership structure within 15 days after the sale occurs.

For joint stock companies, the general shareholders' meeting or the company's board of management has the authority to approve foreign investments in accordance with the company charter. Companies which sell shares to foreign investors are required to notify the relevant business registration authority of the resulting ownership structure within 15 days after the sale occurs. Thereafter, such companies are permitted to enter the foreign shareholders into their register of shareholders.

The Law on Enterprises and the Law on Investment, both with effect from July 1, 2006, and their implementing regulations, have removed the cap on foreign participation in private companies, by stipulating in broad language that foreign ownership through acquisition of shares in or contribution of capital to domestic companies, is generally subject to restrictions on the percentage of ownership as may be imposed under international treaties and agreements to which Vietnam is a signatory, if any. There is a schedule pursuant to which Vietnam commits to open market access to foreign investors under the WTO agreement. In effect, the 30% cap on shareholding by a foreign shareholder in a domestic company should have been abolished on January 11, 2008, and Decision No. 36 is considered to cease to exist, at least for the sections and industries that Vietnam commit to open to foreign investors. However, to date, there has been no official guidance to verify or reaffirm or authorize implementation to that effect, except for a recent dispatch from the Ministry of Planning and Investment to the Prime Minister's office which opines that the abolition of the 30% cap above is capable of implementation without further guidance. This dispatch appears to be more of an internal correspondence, than of a document that has a legal binding effect.

On September 5, 2007, the Government promulgated Decree No. 139/2007/ND-CP to implement the Law on Enterprises ("**Decree No. 139**"). Decree No. 139 states, in very broadly cast language, that foreign participation in domestic companies is generally unlimited, unless there are specific reservations or restrictions under specific laws and Vietnam's WTO terms (in which case, those reservations and restrictions will apply). Decree No. 139 does not address specifically Decision No. 36. Furthermore, the provisions on foreign participation under Decree No. 139, because they seem too broad, have not been fully implemented by local authorities.

It was planned that there would be a statute that purports to replace Decision No. 36. However, it seems that such statute will not be issued. Rather, there will be a decree of the Government to reflect and implement the schedule to open up market access to foreign investors that Vietnam commits under its WTO accession. However, there is no indication when such new decree will be in place.

As for foreign ownership in equitized SOEs, current regulations have not relaxed or removed restrictions on foreign ownership, even though, as mentioned above, it is not clear what the cap is.

Foreign investors' rights in respect of investments in unlisted companies include the following:

- They may mortgage shares;
- They may transfer ownership in shares/capital contributions;
- They may trade shares after the company has been listed;
- They may convert their investments (both principal and interest) and capital gains into foreign currencies and remit the same after having fulfilled all tax obligations;
- If they are individuals (not corporate entities) they are temporarily exempt from personal income tax;

- They may enjoy the rights and benefits as Vietnamese shareholders/members in joint stock companies, limited companies, partnerships, and coalitions of cooperatives and cooperatives;
- Foreigners who reside permanently in Vietnam and possess a valid permanent resident card, and overseas Vietnamese who buy shares and make capital contributions into Vietnamese enterprises that operate under the Law on Enterprises and Law on Cooperatives may participate in the management of the enterprise; and
- Foreigners who are not permanent residents and foreign institutional investors may appoint Vietnamese individuals to the board of directors of a joint stock company in which they own shares, in order to represent their interests.

With respect to listed companies, Decision No. 238 dated September 29, 2005 raised the percentage that foreign organizations and individuals together can hold of listed shares to a maximum of 49% from 30%. Foreign organizations and individuals may hold an unlimited amount of bonds traded in Vietnam's securities market. Capital contributions and share purchases must be made in Dong.

### **Securities Custody, Clearing and Settlement and Registration**

Foreign investors who wish to do securities trading through the STC must obtain a securities business registration code number from the STC. When placing a sale order, an investor must have in its account the full quantity of the securities for sale, and when placing a purchase order, a customer must deposit in its account at least 70% of the value of the securities to be purchased. Funds used to purchase securities must be deposited with a licensed securities company. The funds must be converted into Dong prior to placing a purchase order. Upon a sale, proceeds may be converted and remitted without restriction.

### **Taxes**

Individual foreign investors are temporarily exempt from personal income taxes on dividends and capital gains received from investments in Vietnamese joint stock companies, limited companies, partnerships and coalitions of cooperatives and cooperatives. At present, foreign institutional investors are exempt from taxes on dividend income received after the company in which they invested has fulfilled its corporate income tax obligations. Corporate income tax is applied to the sale of securities (including shares, investment fund certificates and bonds) at a deemed rate of 0.1% on all sales proceeds. Bond interest is also subject to a deemed corporate income tax in Vietnam, at a flat rate of 0.1% on the total value of the bond including the face value of the bond plus the interest amount received. This tax does not apply on certain designated tax-exempt bonds.

There is no separate tax on repatriation of funds.

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## VI. MANAGEMENT AND ADMINISTRATION

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### **The Fund**

The Fund was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (2007 Revision) on March 27, 2007. The Fund is principally intended to provide investors with the opportunity to invest in Vietnamese equitized and equitizing companies.

The Fund has an authorized share capital of US\$50,000, consisting of 4,990,000 Participating Shares, par value US\$0.01 each, and 100 Management Shares, par value US\$1.00 each. All of the Management Shares are issued and outstanding and are currently held by FFM. The proceeds the Fund receives from the issue and sale of its Participating Shares will be used by the Fund to purchase assets that are consistent with the Fund's investment objectives, policies and restrictions.

### **Directors**

The day to day business and affairs of the Fund will be managed by the Investment Advisor, under authority delegated by the Fund's Board, which will retain overall supervisory responsibility. The Board is responsible for establishing the investment objectives, policies and restrictions of the Fund and, through delegation of authority to the Investment Advisor, approving the Fund's investments and sales thereof and for the appointment and supervision of the Investment Advisor and the Custodian. The Board will meet at least once each year and will monitor the Fund's performance and provide instructions to the Investment Advisor as it considers appropriate.

The current directors of the Fund are as follows:

***Eugene S. Davis.*** A co-founder of the Finansa group, Mr. Davis is Managing Director of the Investment Advisor. He was previously Managing Director of Chase Manhattan (Thailand). Earlier positions include Director of Fixed Income Trading with The First Boston Corp. in Tokyo. Mr. Davis is a U.S. citizen.

***Vorasit Pokachaiyapat.*** A co-founder of the Finansa group, Mr. Pokachaiyapat is President of Finansa Public Company Limited. He was previously responsible for IPOs, M&A and privatization advisory work with Chase Manhattan (Thailand). Earlier positions include Head of Research at Thai Investment and Securities Co. (TISCO). Mr. Pokachaiyapat is a Thai citizen.

***James Marshall.*** The Research Director for the Finansa group, Mr. Marshall was previously the Research Head of a joint venture between Nomura International and Unit Trust of India in Mumbai. Earlier positions include Head of Research at Capital Nomura Securities in Bangkok. Mr. Marshall is a U.K. citizen.

### **The Investment Advisor**

The Fund has entered into an Investment Advisory Agreement with FFM. FFM was incorporated in 1994 as a limited liability company incorporated in the Cayman Islands. It has twelve professional staff plus eight support staff. Headquartered in Bangkok, it has offices in Hanoi, Ho Chi Minh City and Singapore. FFM was involved in the management of the Vietnam Frontier Fund, a US\$50

million closed-end direct investment fund for Vietnam, listed on the Irish Stock Exchange, which wound up after reaching the end of its ten-year investment term in July 2004; the Siam Investment Fund, a US\$25 million closed-end direct investment fund for Thailand listed on the London Stock Exchange; the Siam Investment Fund II, L.P., a US\$55 million private equity limited partnership for Thailand; The Asian Debt Fund, Ltd., a US\$230 million open ended fund that focuses on the distressed debt market in non-Japan Asia; and the Vietnam Equity Fund, a Euros 15.2 million closed-end fund.

The management of the Fund's activities will be performed by the Investment Advisor. The Investment Advisor will serve in such capacity throughout the term of the Fund, unless its appointment is terminated earlier. In the event of any termination without cause, the Investment Advisor shall be entitled to three months' notice and shall be paid all Advisory Fees due and payable for the next succeeding three months in full within 14 days of any such termination. In the event of any termination for cause, the Investment Advisor shall be entitled to one month's notice but shall not be entitled to any Advisory Fees following termination.

The Investment Advisor is not entitled to resign. Under the terms of the Investment Advisory Agreement between the Investment Advisor and the Fund, the Investment Advisor has agreed to perform various tasks, such as seeking out and developing potential investment opportunities for the Fund, reporting the status and condition of the Fund's investments to the Board, and taking such actions as may be determined by the Board in connection with the administration of the Fund's assets. The Investment Advisor will furnish the Fund with such records, reports and information as may be directed by the Board.

The Investment Advisor may obtain advice from third-party investment advisors and consultants, provided that any costs incurred by such action will be the responsibility of the Investment Advisor. Pursuant to the Investment Advisory Agreement, the Investment Advisor will receive from the Fund (i) the Advisory Fee and (ii) the Incentive Fee.

The current directors of the Investment Advisor are Eugene S. Davis, Vorasit Pokachaiyapat and James Marshall (all described above).

The Investment Team (as described below) will be entitled to receive 75% of the amount of the Incentive Fee.

The Fund will also have the assistance of the Investment Advisor's Bangkok-based staff.

In the event that the Investment Advisor's appointment is terminated for cause, representatives of the Investment Advisor and the Shareholders will promptly meet to discuss in good faith and to determine whether or not the Fund will continue in operation with a different Investment Advisor, and if so whether the Investment Advisor will continue to hold Shares in the Fund or whether the Investment Advisor will be permitted to transfer its Shares to a non-Affiliate or whether the Fund will repurchase such Shares from the Investment Advisor. In the absence of any decision at such meeting (as such meeting may be adjourned from time to time), the Fund will continue in existence without any sale or repurchase of the Investment Advisor's Shares.

In the event that the Investment Advisor's appointment is terminated without cause, the Investment Advisor will be permitted to transfer its Shares to a non-Affiliate with the Board's consent, which consent will not be unreasonably delayed or withheld.

## **The Investment Team**

The Investment Team will be appointed by the Investment Advisor, but currently is expected to consist of: (a) James Marshall, who is based in Bangkok; (b) Nguyen Van Huong, who is based in Ho Chi Minh City; (c) Nguyen Thi Thu Thuy, who is based in Ho Chi Minh City; (d) Bui Thi Kim Oanh, who is based in Hanoi and (e) the supporting staff in Vietnam. The Investment Team will identify, analyze and recommend investments on behalf of the Investment Advisor and will have the benefit of support from other professionals in the Investment Advisor's main office in Bangkok.

*James Marshall.* Described above.

*Nguyen Van Huong.* The President of Horizon 2020 in Vietnam, Mr. Nguyen has presided over a group of companies in Canada dealing with Vietnam, including serving as Chairman of Lequan Trading and Lequan Corp. (1985-1992), a Singapore based company, and as Vice President of Corporation Internationale d'Investissement de Commerce (1982-1994). Mr. Nguyen is also a director of The Siam Investment Fund and of Northbridge Communities Ltd. He is a Canadian citizen.

*Nguyen Thi Thu Thuy.* Mrs. Nguyen joined the Finansa group in 1996 as an investment manager monitoring investments for the Vietnam Frontier Fund. Previously she was an analyst for the investment arm of William E. Simon's family, based in Hong Kong. Mrs. Nguyen is a U.S. and French citizen.

*Bui Thi Kim Oanh.* Mrs. Bui joined the Finansa group in 1994 as an investment analyst after completing studies at the School of Management at the Asian Institute of Management in Bangkok. She worked previously at the Vietnam Insurance Corporation. Mrs. Bui is a Vietnamese citizen.

## **The Investment Advisor's Representative Offices in Vietnam**

The Investment Advisor has been active in Vietnam since the early 1990s, cementing its position with the establishment of The Vietnam Frontier Fund in 1994 and the opening of representative offices in Hanoi and Ho Chi Minh City.

## **Shareholder of the Investment Advisor**

Finansa is the sole shareholder of the Investment Advisor. Finansa has committed that the Investment Advisor will serve in such capacity throughout the term of the Fund, unless the Investment Advisor's appointment is terminated earlier.

Finansa, a Thai public limited company, is a Bangkok-based merchant banking group providing a comprehensive range of financial services in the areas of corporate finance, securities brokerage and institutional fund management in Thailand and the Southeast Asia region. Founded in 1991 by Messrs. Davis and Pokachaiyapat, Finansa has established itself as a leading independent merchant bank in Thailand with depth and experience across equity and debt capital markets. Listed on the Stock Exchange of Thailand in September 2002, Finansa comprises three operating subsidiaries: Finansa Securities, Finansa Credit and FFM. In addition, the group maintains offices in Singapore and Vietnam to support the fund management and investment banking activities in the region.

In addition to FFM, described above, the two key arms of the Finansa group are: Finansa Securities, a Thai Securities Exchange Commission licensed brokerage company and one of the strongest and

most active investment banking firms in Thailand. Finansa Securities offers an extensive range of advisory services for both equity and debt transactions.

Finansa Credit, then named Primus Finance, was acquired by Finansa in October 2002 from Ford Credit International. The acquisition provided Finansa with a foothold in the debt markets in Thailand. The company operates in the wholesale markets and focuses on debt trading opportunities. Finansa Credit has applied to upgrade to a bank as part of the new financial master plan announced by the Bank of Thailand.

Finansa has also had experience in investing in Vietnam. A pioneer in the opening of Vietnam to foreign investment, through the Vietnam Frontier Fund, Finansa has been involved in a number of green field projects across a range of industries. The Vietnam Frontier Fund, launched in 1994, raised US\$50 million from international institutional investors. It built a portfolio of significant interests in leading companies in the cement, steel fabrication, ceramics and confectionary industries in Vietnam before being wound up at the end of its ten-year term in 2004. Finansa's subsidiary FFM also currently manages the Vietnam Equity Fund, launched in 2005. The fund targets investments in Vietnamese equitized and equitizing companies. Finansa maintains representative offices in Ho Chi Minh City and Hanoi.

### **The Custodian**

The Fund has appointed Citibank N.A., Hanoi Branch to serve as the Custodian.

Citi is a leading foreign bank in Vietnam, with branches in Hanoi and Ho Chi Minh City (together "Citi Vietnam") and a nationwide partnership network that covers all of Vietnam's 64 provinces. Since resuming operations in 1993, Citi has played a key role in assisting in the development of Vietnam's financial markets. Citi was the first US financial institution to receive a branch license in 1994 and the first US bank to open a full branch in Hanoi in 1994. Citi offers the full range of banking services in Vietnam, including corporate banking, investment banking and global transaction services (which includes trade and cash management). In 2006, Citi launched its custody and clearing business in Vietnam, which today has US\$1.6 billion of assets under custody. Citi has quickly established itself as a leading market provider for foreign institutional clients and, after only one year in operation, Citi Vietnam was awarded the Best Sub-Custodian in Vietnam in 2007 by the Asset Triple A.

The Fund's portfolio securities and cash and cash equivalents will be held by the Custodian, which may appoint any other person as its nominee or agent.

### **The Administrator**

Citibank N.A., Singapore Branch has been appointed as the Administrator of the Fund pursuant to an Administration Services Agreement.

The Administration Services Agreement is concluded for an unlimited duration and may be terminated by the Administrator or the Fund in certain circumstances specified therein. The Administrator will provide in respect of the Fund accounting, net asset valuation services, share issue, registrar, transfer and redemption services and perform generally all other administrative duties usually performed by accountants, registrars and transfer agents upon the terms and conditions contained in the Administration Services Agreement. The Administrator may, in its discretion, delegate the performance of any of its duties under the Administration Services Agreement to third parties, from time to time.

The Administrator is entitled to receive fees out of assets of the Fund, as described below under Section VII headed “*Fees and Expenses*”.

The Administration Services Agreement provides that in the absence of certain circumstances specified therein, the Administrator shall not be liable to the Fund for any act or omission in the course of or in connection with the services rendered by it for any loss or damage which the Fund may sustain or suffer as a result or in the course of the discharge by the Administrator or its officers and employees of its duties and shall be indemnified by the Fund for all losses, liabilities or expenses incurred by it in performing its obligations.

### **Advisory Committee**

The Fund may have an Advisory Committee, composed of representatives of the Shareholders. All conflicts of the Shareholders will be referred to the Advisory Committee, or, in its absence, to the Board. The Advisory Committee (or, in its absence, to the Board) will make recommendations as to the appropriate course of action for the Fund to follow in the circumstances.

### **Conflicts of Interest**

The Fund is or may be subject to a number of actual and potential conflicts of interest involving the Investment Advisor and its affiliates. Finansa and its affiliates engage in a broad spectrum of activities, including financial advisory activities, and have extensive investment activities that are independent from and may from time to time conflict with those of the Fund. There might arise instances where the interests of Finansa or its affiliates conflict with the interests of the Fund. Finansa or any of its affiliates may engage in transactions with, and may provide services to, companies in which the Fund invests or could invest.

Finansa engages in activities in the normal course of its investment banking business which may conflict with the interests of the Fund. Finansa or its affiliates may provide services to, invest in, advise, sponsor and/or act as an Investment Advisor to investment vehicles and other persons or entities which may have similar structures and investment objectives and policies to those of the Fund and which may compete with the Fund for investment opportunities.

The directors, officers and other employees of the Investment Advisor and its affiliates will not be restricted in their ability to hold board positions with other companies or in their ability to make investments for their own account except that (i) they are prohibited from investing in investee companies or in companies in which the Fund is considering an investment, (ii) they have to disclose all their investments in investee companies to the Advisory Committee and (iii) they have to promptly disclose to the Advisory Committee any changes to such shareholdings.

In the event that the Fund proposes to sell any investment to Finansa or a Finansa group company, an independent third party evaluation will be required to determine the pricing of such sale.

The Investment Advisor will be required to refer any conflict of interest involving it or its directors, officers or employees to the Advisory Committee (or, in its absence, to the Board), and any potential conflict of interest involving the Investment Advisor or its directors, officers or employees that comes to the attention of the Fund will be referred to the Advisory Committee (or, in its absence, to the Board). The Advisory Committee member representing an interested Shareholder will abstain from voting on any such referred matter. It is not expected that the Investment Advisor will perform any advisory work in Vietnam for third parties or for Finansa group companies. In the

event that the Investment Advisor performs any such work, the compensation will be split 50%/50% between the Fund and the relevant Finansa group company. Any such work will be on an arm's-length basis and must be approved by the Board.

Any fees received for advisory work done by the Investment Advisor for investee companies will be paid to the Fund.

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## VII. FEES AND EXPENSES

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The organizational and pre-operating expenses of the Fund paid on behalf of the Fund by the Sponsor up to the aggregate amount of US\$200,000 are being reimbursed to the Sponsor by the Fund and will be amortized by the Fund over a period of five years although IAS 38 requires pre-operating expenses to be expensed immediately.

The Fund will pay fees to the Investment Advisor, Custodian and Administrator in the manner described below.

The Fund will also bear the cost of stamp duties, taxes, annual fees (if any), brokerage, bank charges, registration and collection fees, insurance and security costs, the fees and expenses of the Auditors and of any other custodian, administrator or registrar appointed by the Fund (including transaction fees payable in respect of the settlement of transactions for the account of the Fund and all sub-custodian fees), and fees payable for legal services and expenses incurred by the Investment Advisor and the Fund in establishing and/or maintaining the Fund. The Fund is also responsible for the costs of preparing, translating, printing and distributing future information memoranda, reports, financial statements, any report for tax purposes, and for any costs incurred as a result of a change in law or the introduction of any new law and any other expenses, damages or fees relating to the operation of the Fund as may be approved by the Board in its discretion on a case-by-case basis.

### **Advisory Fee**

The Fund will pay to the Investment Advisor the Advisory Fee at 1.5% per annum of the NAV (before taking into account any provision for the Advisory Fee) as at each Dealing Day, payable monthly in arrears.

### **Incentive Fee**

Subject to the equalization adjustment as described under the heading "Equalization Adjustment" below, the Investment Advisor will be entitled to receive an annual Incentive Fee equal to 20% of the increase in the NAV per Participating Share during an Incentive Fee Period that is in excess of the Base Net Asset Value.

The application of the equalization adjustment method ensures that (i) the allocation of the Incentive Fee between each Shareholder is equitable and that the amount of Incentive Fee paid by each Shareholder is not subsidized by, or does not subsidize, another Shareholder; (ii) all Shareholders of the Participating Shares have the same amount of capital per Participating Share at risk in the Fund, and (iii) all Participating Shares have the same NAV per Participating Share.

The Incentive Fee is calculated in respect of each period of one year ending on the last day of the Fund's fiscal year. An Incentive Fee Period commences on the day following the end of the previous Incentive Fee Period. However, the first Incentive Fee Period will be the period commencing on the Business Day immediately following the close of the Initial Offer Period and ending on 31 December 2008.

For each Incentive Fee Period, the Incentive Fee in respect of each Participating Share will be equal to 20% of the appreciation in NAV per Participating Share during that Incentive Fee Period above the Base Net Asset Value of that Participating Share. The Base Net Asset Value of a Participating Share is the greater of:

- a) the NAV per Participating Share at the time of issue of the Participating Share, multiplied by a multiplier equal to (a) 1, plus (b) the product of (i) the Hurdle, and (ii) a quotient, the numerator of which is the number of days elapsed from issuance of the Participating Share to the relevant Valuation Day and the denominator of which is 365; and
- b) the highest NAV per Participating Share (after accrual of the Incentive Fee) achieved as of the end of any previous Incentive Fee Period (if any) during which such Participating Share was in issue, multiplied by a multiplier equal to (a) 1, plus (b) the product of (i) the Hurdle, and (ii) a quotient, the numerator of which is the number of days elapsed from the end of that Incentive Fee Period to the relevant Valuation Day and the denominator of which is 365.

The Incentive Fee in respect of each Incentive Fee Period will be calculated by reference to the NAV per Participating Share before the accrued Incentive Fee.

The Investment Advisor may elect to defer payment of all or part of the Incentive Fee.

The Investment Advisor may from time to time and at its sole discretion and out of its own resources decide to give rebates to some or all Shareholders or their agents or to intermediaries, part or all of the Incentive Fee. Any such rebates may be applied in paying up additional Participating Shares to be issued to the Shareholders.

If the Investment Advisory Agreement is terminated, the Incentive Fee in respect of the then current Incentive Fee Period will be calculated and paid as though the date of termination were the end of the relevant Incentive Fee Period.

In the event a Shareholder redeems any Participating Shares before the end of an Incentive Fee Period, the Investment Advisor shall be paid the Incentive Fee accrued in respect of such Participating Shares from the commencement of the relevant Incentive Fee Period to the date of redemption.

### **Equalization Adjustments**

If an investor subscribes for Participating Shares at a time when the NAV per Participating Share is other than the High Water Mark, certain adjustments will be made to reduce inequities that could otherwise result to the investor or to the Investment Advisor.

If Participating Shares are subscribed for at a time when the applicable NAV per Participating Share is less than the High Water Mark, the investor will be required to pay an Incentive Fee with respect to any subsequent appreciation in the value of those Participating Shares. With respect to any appreciation in the value of those Participating Shares up to the High Water Mark, the Incentive Fee will be charged at the end of each Incentive Fee Period by redeeming such number of the investor's Participating Shares as have an aggregate value (being the NAV per Participating Share after accrual for any Incentive Fee multiplied by the number of Participating Shares so redeemed) equal to 20% of any such appreciation (an "**Incentive Fee Redemption**"). The aggregate value of the Participating Shares so redeemed will be paid to the Investment Advisor as an Incentive Fee.

Incentive Fee Redemptions are employed to ensure that the Fund maintains a uniform NAV per Participating Share. As regards the investor's remaining Participating Shares, any appreciation in the NAV per Participating Share of such Participating Shares above the High Water Mark will be charged a Incentive Fee in the normal manner described above, under the heading "Incentive Fee". If Participating Shares are subscribed for at a time when the applicable NAV per Participating Share is greater than the High Water Mark, the subscription will include an amount in excess of the High Water Mark equal to 20% of the difference between the then current NAV per Participating Share (before accrual for the Incentive Fee) and the High Water Mark (an "**Equalization Credit**"). At the date of subscription the Equalization Credit will equal the Incentive Fee per Participating Share accrued with respect to the other Participating Shares in the Fund. The Equalization Credit is to account for the fact that the NAV per Participating Share has been reduced to reflect an accrued Incentive Fee to be borne by existing investors and serves as a credit against Incentive Fees that might otherwise be payable by the Fund but that should not, in equity, be charged against the investor making the subscription because, as to such Participating Shares, no favorable performance has yet occurred. The Equalization Credit ensures that all Shareholders have the same amount of capital at risk per Participating Share.

The Equalization Credit will be at risk in the Fund and will therefore appreciate or depreciate based on the performance of the Fund subsequent to the issue of the relevant Participating Shares but will never exceed the "**Maximum Equalization Credit**", being the Equalization Credit at subscription. In the event of a decline as at any Incentive Fee Period in the NAV per Participating Share, the Equalization Credit will also be reduced by an amount equal to 20% of the difference between the NAV per Participating Share (before accrual for the Incentive Fee) applicable at the date of issue and as at the end of that Incentive Fee Period. Any subsequent appreciation in the NAV per Participating Share will result in the recapture of any reduction in the Equalization Credit but only to the Maximum Equalization Credit.

At the end of each Incentive Fee Period, if the NAV per Participating Share (after deducting the Advisory Fee payable to the Investment Advisor but before accrual for the Incentive Fee) exceeds the High Water Mark, that portion of the Equalization Credit equal to 20% of the excess, multiplied by the number of Participating Shares in relation to which the investor has an Equalization Credit, will be applied to subscribe for additional Participating Shares at a price equal to the NAV per Participating Share (after accrual for the Incentive Fee) for the investor. Additional Participating Shares will continue to be so subscribed for at the end of each Incentive Fee Period until the Equalization Credit, as it may have appreciated or depreciated in the Fund after the original subscription for Participating Shares was made, has been fully applied. If the investor redeems his/her Participating Shares before the Equalization Credit has been fully applied, the investor will receive additional redemption proceeds equal to the Equalization Credit then remaining multiplied by a fraction, the numerator of which is the number of Participating Shares being redeemed and the denominator of which is the number of Participating Shares held by the investor immediately prior to the redemption.

### **Custodian Fee and Administration Fee**

The Custodian and Administrator are entitled to receive from the Fund custodian and administration fees. Such fees will accrue on each Dealing Day and will be payable monthly in arrears and be based on the NAV of the Fund and charged at such reasonable rates as shall be agreed between the Fund and the Custodian and Administrator respectively from time to time.

The Custodian and Administrator will also be entitled to be reimbursed by the Fund for all reasonable out-of-pocket expenses incurred in the course of their duties and also for custodian transaction fees.

The Investment Advisor may retain for its own use and benefit goods and services and other soft dollar benefits which are of demonstrable benefit to the Shareholders, which have been received from brokers and other persons through whom the Fund's investment transactions are carried, without the prior consent of the Board, provided that the quality of transaction execution is consistent with best execution standards and the brokerage borne by the Fund will not exceed customary institutional full service brokerage rates for such transactions, and provided that such transactions are disclosed to the Shareholders of the Fund at least annually. Goods and services referred to above may include research and advisory services; economic and political analysis; portfolio analysis, including valuation and performance measurement; market analysis, data and quotation services; computer hardware and software incidental to the above goods and services; clearing and custodian services and investment-related publications.

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## VIII. VALUATION

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### **Subscription and redemption prices**

The subscription price or redemption price of each Participating Share for any relevant Dealing Day will be calculated by dividing the NAV as at the Valuation Point relating to that Dealing Day by the number of Participating Shares then in issue, the resulting amount being rounded down to 4 decimal places, subject to the provisions for equalization as described in this Memorandum.

### **Calculation of NAV**

The NAV will be calculated on a monthly basis as at each Valuation Day in accordance with the following valuation methods:

- (i) the valuations will be calculated in U.S. Dollars, and any assets and liabilities denominated in a currency other than U.S. Dollars will be converted into U.S. Dollars using the relevant market exchange rate;
- (ii) quoted investments held by the Fund are valued at the last dealt price as at the Valuation Point or at the appropriate market price or, if there is no such price available, at the price midway between the lowest market offered price and the highest bid price available on the principal market on the Valuation Day. If the quoted investment is suspended from trading and no price is available, the price will be either the closing price of that investment on the last full trading day before its suspension, or, if the investment has been suspended continuously for six months, such price as the Board may in its reasonable discretion from time to time determine to be appropriate;
- (iii) each unquoted investment will be valued at fair value, at either the cost price or at such other fair value price as may be reasonably determined by the Board with regard to such reliable information available to it upon which to base such valuation in accordance with sub-paragraph (iv) below;
- (iv) in valuing fair value for illiquid investments, the Board will use methodologies consistent with market practice for the relevant type of investment, including market prices (or quotations by market-makers) for comparable investments where available, historical and projected financial information and operating (including loan loss) data, and taking into account other relevant factors, such as legal or contractual restrictions on the sale of the investment; no independent appraisals will be obtained;
- (v) in calculating the NAV there will be deducted all fees, costs, expenses and other liabilities of the Fund (including any transaction costs associated with any disposals, redemptions or operations of assets incurred) and such provisions and allowances for contingencies (including any debt liabilities) as the Board reasonably considers

appropriate, and such provisions and allowances in respect of costs and expenses payable by the Fund; and

- (vi) the Board may permit some other method of valuation to be used if a particular investment is not or cannot be valued as above, or if the Board considers that the use of some other valuation method better reflects fair value.

### **Suspension of NAV Calculation**

The Board may suspend the determination of NAV and redemption of Participating Shares during the whole or any part of a period:

- (a) during which any stock exchange on which a substantial part of the investments of the Fund are quoted, listed or dealt in is closed (other than for ordinary holidays);
- (b) during which dealings on any such stock exchange are suspended or restricted;
- (c) when there exists a state of affairs as a result of which disposal of some or all of the investments cannot in the absolute discretion of the Board be effected normally or without seriously prejudicing the interests of the Shareholders;
- (d) when a breakdown occurs in the means of communication normally employed in determining the value of the investments of the Fund or when for any other reason the value of any of the investments, which represent a significant part of the value of the Fund, cannot promptly, fairly and accurately be ascertained;
- (e) when realization of investments or the transfer of funds involved in such realization cannot in the reasonable opinion of the Board be effected at normal prices or normal rates of exchange; or
- (f) if the remittance of monies involved in the subscription or redemption of Participating Shares cannot be carried out without undue delay and at normal rates of exchange.

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## IX. PROCEDURES FOR SUBSCRIPTION, REDEMPTION AND TRANSFER

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### PROCEDURES FOR SUBSCRIPTION

#### The Initial Offering

The Participating Shares are offered to investors during the Initial Offer Period at an initial offer price of US\$1,000.00 per Participating Share.

During the Initial Offer Period, applications to purchase Participating Shares should be made by completing the Subscription Agreement and sending such Subscription Agreement to the Administrator in accordance with the instructions set forth therein before 5:00 p.m. Singapore time on the last day of the Initial Offer Period.

Subscriptions by investors shall be made in cash. All subscription monies should be deposited into a segregated interest bearing account in the Fund's name at the Fund's designated bank, Citibank N.A., Singapore Branch.

#### Subsequent Issues

Following the close of the relevant Initial Offer Period, Participating Shares may be issued by the Fund on any Dealing Day in respect of applications which are received together with application monies in cleared funds before the Subscription Dealing Deadline in relation to the relevant Dealing Day.

The Board may instruct the Administrator, acting on behalf of the Fund, to accept, reject or scale down any application to subscribe for Participating Shares.

Applications together with application monies in cleared funds should be sent to the Administrator before 5:00 p.m. Singapore time at least five Business Days prior to that Dealing Day (the "**Subscription Dealing Deadline**"). Applications received after the Subscription Dealing Deadline in relation to a Dealing Day will be held over until the Dealing Day following such Dealing Day. Applications may be sent by facsimile provided that the original follows promptly. Investors should note that neither the Fund nor the Administrator will accept any responsibility for any loss caused as a result of non-receipt of any application sent by facsimile.

The price at which Participating Shares will be issued on any particular Dealing Day will be the Dealing Price, calculated in the manner set out under Section VIII headed "*Valuation*". For the avoidance of doubt, such Dealing Price and the number of fractional Participating Shares issued in connection therewith will be rounded down to four decimal places by the Administrator, and any excess monies after such rounding down shall be retained by the Fund.

### **Minimum Subscription**

The minimum subscription for each individual applicant is US\$1,000,000 (or such lesser amount as the directors may in their discretion agree from time to time, whether generally or in a particular case, subject to a minimum of US\$100,000).

There is no initial charge.

No Participating Shares will be issued unless and until the relevant application monies have been received in cleared funds by or on behalf of the Fund. Application monies must be paid in U.S. Dollars. Application monies other than in U.S. Dollars will be converted into U.S. Dollars and all bank charges and other conversion costs will be deducted from the application monies prior to investment in Participating Shares.

Participating Shares may not be issued during the period of any suspension of the determination of the NAV (for details see Section VIII headed “*Valuation*”).

Unless the applicant has made arrangements with the Administrator to make payment in some other currency or by some other method, payment must be made in U.S. Dollars by telegraphic transfer to:-

Bank:	Citibank N.A., New York
SWIFT:	CITIUS33
Account name:	Citibank N.A., Singapore (Swift Code: CITISGSG)
For further credit to:	The Finansa Vietnam Fund, Ltd.
Account number:	0-850068-011
Ref.:	Subscription for Shares of The Finansa Vietnam Fund, Ltd. by [Name of subscriber]

***Please note that for cleared funds to be received in the Fund’s account prior to 5 p.m. Singapore time on the last day of the Initial Offer Period or any subsequent subscription dealing deadline, payment must be made for value at least one New York business day preceding such Business Day or subscription dealing deadline, as the case may be.***

The remitter should instruct the remitting bank to send a SWIFT advice (format MT 210) to Citibank N.A. Singapore (SWIFT: CITISGSG) advising details of remittance, including the name of applicant(s), for ease of identification. All subscription monies must originate from an account held in the name of the applicant(s). No third party payments shall be permitted.

Participating Shares will be in registered form and share certificates will not be issued. A confirmation notice will be sent as soon as practicable to successful applicants on acceptance of their application and receipt in cleared funds of their application monies.

### **Restrictions on Issue**

The Fund reserves the right to reject any application for Participating Shares in whole or in part. If any application is not accepted in whole or in part, the application monies or (where an application is accepted in part only) the balance thereof will be returned (without interest) in U.S. Dollars to the bank account from which the monies were originally debited by telegraphic transfer at the expense and risk of the applicant.

## **Eligible Investors**

Each investor must represent and warrant to the Fund that, among other things, he or she is able to acquire Participating Shares without violating applicable law. The Fund will not knowingly offer or sell Participating Shares to any investor to whom such offer or sale would be unlawful. In particular, Participating Shares may not be offered or sold to any person other than (i) persons permitted to acquire or hold Participating Shares without violating laws or regulations applicable to such person and (ii) persons that would not cause the Fund or the Investment Advisor to be in violation of any applicable law including the Securities Act and the Investment Company Act of 1940 (“**Qualified Holders**”). Power is reserved in the Memorandum and Articles by the Board to order the transfer of or to redeem any Participating Shares held by a person who is not a Qualified Holder.

## **Other subscription provisions**

Participating Shares may not be issued during the period of any suspension of the determination of the NAV.

The Fund may at any time at its discretion temporarily suspend, cease definitively or limit the issue of Participating Shares to persons or corporate bodies resident or established in certain countries or territories. The Fund may also prohibit certain persons or corporate bodies from acquiring Participating Shares if such a measure is necessary or desirable for the protection of the Shareholders.

All instructions received by facsimile from investors or Shareholders in respect of the subscription, transfer and redemption of Participating Shares (whether or not the original written applications or requests, as the case may be, are also required by the Fund to follow such instructions sent by facsimile) will generally be acted upon by the Fund or the Administrator, subject to the Fund’s absolute discretion not to, and instructing the Administrator not to do so until the original written instructions are received. The Fund or the Administrator may take any appropriate action to carry out such instructions upon receipt thereof notwithstanding any error, misunderstanding or lack of clarity in the instructions. Neither the Fund nor the Administrator is obliged to verify the identity of the person sending the instructions.

Neither the Fund nor the Administrator will be liable for any loss which the relevant investor or Shareholder may suffer arising from: (a) their acting on any instructions sent by facsimile which purport to be (and which they believe in good faith to be) from the relevant investor or Shareholder; or (b) the Fund exercising its absolute discretion not to act, and instructing the Administrator not to act on such instructions sent by facsimile; or (c) any instructions sent by facsimile which are not received by the Fund or the Administrator due to failed transmission thereof. The relevant investor or Shareholder will keep the Fund, the Investment Advisor and the Administrator fully indemnified on demand against all actions, losses and expenses brought against, or incurred by, the Investment Advisor or the Administrator resulting from any of them acting, or failing to act, on such instructions or from the non-receipt of instructions sent by facsimile due to failed transmission thereof.

## **Procedures for Redemption and Transfer**

### **Voluntary Redemptions**

Participating Shares may be redeemed on any Dealing Day (subject to the Lock Up and the redemption limit stated below) at the request of the holder of such Participating Shares.

Each request should be made on an application for redemption and sent to the Administrator in accordance with the instructions contained in the redemption form, a sample of which is annexed to the Subscription Agreement. In order for a redemption request to take effect on a particular Dealing Day, the duly-completed, original redemption request bearing authorized signature(s) must be received by the Administrator not later than 5.00 p.m. Singapore time at least 30 calendar days preceding the relevant Dealing Day or such other date as the Board in their discretion may decide. Redemption requests received after such time will be processed on the next following Dealing Day.

The redemption amount will be equal to (i) the product of (a) the NAV per Participating Share after accrual for any Incentive Fee applicable on the relevant Dealing Day, multiplied by (b) the number of Participating Shares being redeemed, (ii) plus any remaining Equalization Credit in respect of the relevant Participating Shares so redeemed on the relevant Dealing Day.

The redemption amount will be paid to the redeeming Shareholder at the end of the third month following the redemption notice by telegraphic transfer to the pre-designated bank account of the redeeming Shareholder at his or her risk and expense.

The maximum redemption amount in respect of any one Dealing Day is 10% of the Assets. If, in respect of any Dealing Day, Shareholders send timely redemption notices in an aggregate amount greater than 10% of the Assets, the redemptions will be made pro rata to the redemption requests made by such Shareholders. To the extent that the above limitation results in Participating Shares for which notices of redemption have been given in relation to any Dealing Day not being satisfied, the previously unredeemed Participating Shares subject to such notice of redemption shall be redeemed pro rata on the next Dealing Day in priority to any notices of redemption subsequently submitted by any Shareholder, and the redemption amount will be based on the NAV per Participating Share applicable on such next Dealing Day. To the extent necessary, the foregoing limit on redemption shall be applied to such subsequent Dealing Day and the balance of any unsatisfied notices of redemption held over to subsequent Dealing Days as may be required to prevent the maximum redemption amount in any given month being breached.

No redemption of part of a holding of Participating Shares may be made which would result in the Shareholder retaining Participating Shares which have a value of less than the applicable minimum subscription amount unless the directors, in its discretion, determines to permit the redemption.

No redemption of Participating Shares may be effected during the period of any suspension of the determination of the NAV.

## **Transfer Restrictions and Compulsory Redemption**

Participating Shares may not be transferred without the prior consent of the Board. Under the Memorandum and Articles, the Fund reserves the right, upon not less than 10 Business Days' prior written notice, to mandatorily redeem any or all of a Shareholder's Participating Shares at any time, for reasons including:

- (i) if the Shareholder (or any beneficiary thereof) is in breach of any law or requirement of any country or governmental authority;
- (ii) if the Shareholder (or any beneficiary thereof) is in circumstances which, in the opinion of the Fund, might result in the Fund, the Investment Advisor, the Investment Team or any Shareholder incurring any liability to taxation or suffering any pecuniary disadvantage which the Fund, the Investment Advisor, the Investment Team or any Shareholder might not otherwise have incurred or suffered;
- (iii) if the Shareholder (or any beneficiary thereof) by reason of their interests in the Participating Shares, may result in the Fund being required to comply with any registration or filing requirement in any jurisdiction to which it would not otherwise be required to comply;
- (iv) if the Shareholder (or any beneficiary thereof) by reason of their interests in the Participating Shares, are such as to be harmful or injurious to the business or reputation of the Fund or any of its service providers;
- (v) if the Shareholder (or any beneficiary thereof) who otherwise than as a result of depreciation in the value of his or her holding, holds Participating Shares in value less than such amount determined by the Fund or the Investment Advisor from time to time;
- (vi) if the Shareholder (or any beneficiary thereof) fails any initial or on-going anti-money laundering, anti-terrorist financing or know-your-client checks; and
- (vii) where the Board is of the opinion that it is in the best interest of the Fund or the Shareholders.

The redemption amount in the event of any such mandatory redemption will be calculated in the same manner as provided in the paragraph "Voluntary Redemptions" above as of the relevant Dealing Day.

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## X. MEMORANDUM AND ARTICLES OF ASSOCIATION

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The Memorandum and Articles of the Fund comprise its constitution.

The objects for which the Fund is established are unlimited.

The Articles of the Fund include the following provisions:

**i. Share Rights**

A holder of Management Shares is:

- (i) entitled to one vote on a show of hands for all the Management Shares of which he or she is a holder, and on a poll has one vote per Management Share held;
- (ii) not entitled to dividends; and
- (iii) in the event of a winding-up or dissolution of the Fund, whether voluntary or involuntary or for the purposes of a reorganization or otherwise or upon any distribution of capital, entitled to an amount equal to the capital paid up on such Management Shares but to no other or further amount.

A holder of Participating Shares is:

- (i) not entitled to vote in respect of his or her Participating Shares except where otherwise required by law, in which case each holder of Participating Shares shall have one vote on a show of hands for all Participating Shares of which he or she is holder, and on a poll shall have one vote per Participating Share held;
- (ii) entitled to dividends as described in this Memorandum;
- (iii) in the event of a winding-up or dissolution of the Fund, whether voluntary or involuntary or for the purposes of a reorganization or otherwise or upon any distribution of capital, entitled, following the payment to the holders of Management Shares of amounts due pursuant to (i)(iii) above, to an amount per Participating Share equal to the surplus assets of the Fund divided by the total number of Participating Shares deemed outstanding; and
- (iv) entitled, and subject, to redemption or repurchase of Participating Shares as provided in the Articles.

## ii. Variation of Class Rights

All or any of the special rights for the time being attached to any class of shares of the Fund for the time being issued (of which there are none at present save as referred to herein) may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of all of the issued shares of that class or with the sanction of a resolution passed with a three-quarters majority at a separate class meeting of the holders of such shares on the register of shareholders of the Fund at the date on which notice of such separate class meeting is given. To any such separate class meeting all the provisions of the Articles as to general meetings of the Fund shall *mutatis mutandis* apply, but so that any holder of shares of the class present in person or by proxy may demand a poll and vote. For such purposes the directors may treat all the classes of shares as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration but, in any other case, shall treat them as separate classes.

The rights attached to each class of Shares shall be deemed to be varied by the creation or issue of any shares ranking in priority to them as respects participation in the profits or assets of the Fund.

Subject to the paragraph above, the special rights attached to any class of shares having preferential or other special rights shall (unless otherwise expressly provided by the conditions of issue of such shares) not be deemed to be varied by:

- (a) the creation, allotment or issue of further shares ranking *pari passu* therewith; or
- (b) the creation, allotment, issue, repurchase or redemption of Management Shares or Participating Shares.

## iii. Board

The current directors of the Fund are Eugene S. Davis, Vorasit Pokachaiyapat and James Marshall (all described above). The size of the Board may be increased to up to five directors.

The remuneration of the directors will be determined by the Board in its reasonable discretion. The directors may also be paid, *inter alia*, for travel, hotel and other expenses properly incurred by them in attending meetings of the Board or in connection with the business of the Fund.

A director may hold any other office or place of profit under the Fund (other than the office of auditor) in conjunction with his or her office of director or may act in a professional capacity for the Fund for such period and on such terms as the Board may determine. No director or intending director will be disqualified by his or her office from contracting with the Fund in any capacity, nor shall any such contract or arrangement entered into by or on behalf of the Fund in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Fund for any profit realized by any such contract or arrangement by reason of such director's holding that office or of the fiduciary relationship thereby established, *provided* in any such case that he or she has declared the nature of his or her interest in accordance with the Memorandum and Articles.

A director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or she has any material interest (other than by virtue of his or her interests in shares or debentures or other securities of or otherwise in or through the Fund) unless the nature of his or her interest is declared at the first opportunity at a meeting of the directors or by writing to the directors

and no other director objects to the interested director's voting on such arrangement. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he or she is barred from voting.

There is no provision in the Memorandum and Articles requiring a director to retire by reason of any age limit.

**iv. Key Person Events**

In the event that any individual working on behalf of the Fund, the Investment Advisor or any sub-advisor, that the Board determines is key to the management and/or operation of the Fund, ceases to devote substantially all of his business time to the day-to-day operations and affairs of the Fund, or in the event that such person resigns, dies or becomes incapacitated and thus can no longer fulfill his responsibilities to the Fund, then the Board will either select a new, well-qualified replacement to assume such person's responsibilities or convene an Extraordinary General Meeting for the purpose of dissolving the Fund.

**v. Borrowing Powers**

The Board may exercise all the Fund's powers to borrow and to charge its assets.

**vi. Indemnities**

There are indemnities in favor of the directors, secretary and other officers for the time being of the Fund.

**vii. Transfer**

Participating Shares may not be transferred without the prior consent of the Board but may be redeemed in accordance with the Fund's provisions on redemption. See Section IX headed "*Procedures for Subscription, Redemption and Transfer*" of this Memorandum.

**viii. Dividend and Interest Policy**

Dividends are not expected to be paid on Participating Shares.

**ix. Winding Up of the Fund**

The Fund may be dissolved at any time by a vote of at least 66 $\frac{2}{3}$ % of the Management Shares, in accordance with the applicable provisions of Cayman Islands law.

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## XI. GENERAL DISCLOSURE

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Save as disclosed in this Memorandum, no commissions, discounts, brokerages or other special terms have been granted by the Fund in connection with the issue or sale of any Participating Shares. No person has, or is entitled to be given, an option to subscribe for any share or other equity or loan capital of the Fund.

The Investment Advisor and other authorized agents receive fees as mentioned in Section VII headed "*Fees and Expenses*" of this Memorandum. There are no existing or proposed service contracts directly between any of the directors and the Fund, but the directors may receive remuneration as provided in the Memorandum and Articles.

The Fund has entered into the following contracts which are or may be material to the Fund and are not in the ordinary course of business:

- (a) the Investment Advisory Agreement with the Investment Advisor;
- (b) the Custodian Agreement with the Custodian; and
- (c) the Administration Services Agreement with the Administrator.

The financial year end of the Fund is December 31 in each year. The first accounts will be made up at December 31, 2008. Shareholders will be sent copies of the audited accounts each year, within 6 months after each financial year end. The financial statements will be prepared in accordance with International Financial Reporting Standards. All financial statements, notices and other documents will be sent, in the case of joint holders of Participating Shares, to the holder who is named first in the register of Shareholders of the Fund at the holder's registered address.

The Fund is not engaged in any litigation or arbitration proceedings and is not aware of any litigation or claim pending or threatened against it.

### **Anti-Money Laundering**

In order to comply with regulations aimed at the prevention of money laundering, the Fund will require all prospective investors to provide evidence to verify their identity and source of funds (unless in any particular case the directors or the Administrator are satisfied that an exemption applies under the Money Laundering Regulations (2006 Revision) of the Cayman Islands (the "**Regulations**")). Depending on the circumstances of each application, a detailed verification of identity might not be required where:

- a) the applicant makes the payment for his investment from an account held in the applicant's name at a recognised financial institution; or
- b) the applicant is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction; or

- c) the application is made through an intermediary which is regulated by a recognised regulatory authority and is based in or incorporated in, or formed under the law of a recognised jurisdiction.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority or jurisdiction will be determined in accordance with the Regulations by reference to those jurisdictions recognised by the Cayman Islands as having sufficient anti-money laundering regulations.

The Fund also reserves the right to request such information as is necessary to verify the source of the payment. By way of example, an individual may be required to produce a copy of a passport or identification card, duly certified by a notary public or the equivalent, together with evidence of his or her address, such as a utility bill or bank statement and date of birth. Corporate applicants may be required to produce a certified copy of the certificate of incorporation (and any change of name), memorandum and articles of association (or the equivalent) and the names, occupations, dates of birth, and residential and business addresses of all directors. The Fund may refuse to accept the application and the subscription monies if an applicant for Participating Shares delays in producing or fails to produce any information required for the purposes of verification of identity or source of funds, and in that event the Fund shall return the subscription monies (without interest and at the expense of the applicant) by telegraphic transfer to the account from which the monies were originally sent.

If any person resident in the Cayman Islands knows or suspects that another person is engaged in money laundering or knows, suspects or has reasonable grounds to suspect that another person is involved in terrorist activity or with terrorist property and the information for that knowledge, suspicion or grounds for suspicion came to their attention in the course of their business the person will be required to report such knowledge, suspicion or grounds for suspicion (as applicable) to either (i) the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Criminal Conduct Law (2007 Revision) of the Cayman Islands if the disclosure relates to money laundering, or (ii) to a police officer of the rank of constable or higher pursuant to the Terrorism Law 2003 of the Cayman Islands if the disclosure relates to involvement with terrorist activity or terrorist property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

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## XII. TAX AND ERISA CONSIDERATIONS

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There follows a summary of certain aspects of taxation which a potential purchaser of Participating Shares should consider. It is based on representations by the Investment Advisor concerning the activities to be carried out by the Fund. In view of the complexities of the income tax laws applicable to companies such as the Fund and securities transactions, a prospective purchaser of Participating Shares is urged to consult its tax advisor in order to understand fully the various tax consequences of such an investment and the implications and risks that may be relevant to the prospective purchaser's own particular circumstances. This summary of certain tax considerations is considered to be a correct interpretation of existing laws and regulations in force on the date of this Memorandum. No assurance can be given that changes in existing laws or regulations or their interpretation will not occur after the date of this Memorandum.

### A. **Cayman Islands**

At present there are no corporation, income, capital gains, profits or other taxes in the Cayman Islands which would apply to the profits of the Fund, nor are there gift, estate or inheritance taxes in the Cayman Islands. The Fund has received from the Governor in Cabinet of the Cayman Islands an undertaking that for a period of twenty (20) years from the date of that undertaking:

- No law which is thereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Fund or its operations; and
- No such tax nor any tax in the nature of estate duty or inheritance tax will be payable by the Fund: (i) on or in respect of the Management Shares, the Participating Shares, the debentures or other obligations of the Fund; or (ii) by way of the withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision) of the Cayman Islands.

### B. **Vietnam**

The Fund intends to conduct its affairs with respect to Vietnam in such a way so as to avoid being deemed or treated, for tax purposes in Vietnam, as either having a permanent establishment/taxable presence or carrying on a trade, profession or business in Vietnam. However, the Fund's tax status may be affected if changes in Vietnamese regulations in respect of activities in Vietnam of offshore investment funds require the Fund to set up a branch to manage its investments in Vietnam.

#### *Taxation of the Fund*

Investments carried out by the Fund, or by its affiliate or specific purpose subsidiary in Vietnam, are considered to be indirect investment in the sense that the Fund will invest in shares of the local Vietnamese companies whereby the Fund does not participate directly in the operations of the investee (i.e. it purchases shares, share certificates, bonds, other valuable papers).

The Fund is subject to a “deemed profits” tax in Vietnam when the Fund disposes of any such indirect investment, at a flat rate of 0.1% of the value of the securities sold, and the existence of actual profits is irrelevant.

For companies other than joint stock companies in which the Fund invests, the Fund will be subject to corporate income tax on any gain made when it sells or transfers its ownership interest to another party. The tax will be charged at a rate of 28% on the difference between the assignment proceeds (including undistributed profits) and the original value of the assigned capital, less transaction costs. The original value of the assigned capital is the actual capital amount which has been contributed by the assignor as at the assignment date, as supported by and based on accounting books and documents.

The Fund is subject to a deemed corporate income tax in Vietnam when the Fund disposes of any bonds, at a flat rate of 0.1% of the value of the bonds sold. When the Fund receives bond interest, it is also subject to a deemed corporate income tax in Vietnam, at a flat rate of 0.1% on the total value of the bond including the face value of the bond plus the interest amount received. This tax does not apply on certain designated tax-exempt bonds.

Each of the Fund and the Fund will not be subject to any additional corporate income tax in Vietnam on dividends it receives from the tax-paid profits of Vietnamese companies. Remittance of the dividends outside of Vietnam is also free of tax as there is no longer any profit remittance tax applicable to foreign investors in Vietnam.

#### *Taxation of shareholders of the Fund*

Shareholders of the Fund who are not resident of Vietnam, are not liable to Vietnamese tax on distributions received from the Fund, nor on gains derived from the disposal of their interests in the Fund, unless their Shares are held by or for a tax resident of Vietnam..

#### *Taxation of Vietnamese companies*

##### Corporate Income Tax (“CIT”)

Broadly speaking, Vietnamese companies deriving income that is subject to tax under Vietnamese CIT regime, are liable to pay CIT on defined profits (generally, “turnover” less “deductible expenses” plus “other income”) at the standard rate of 28%. The CIT law prescribes a range of incentive rates, tax holidays and tax reductions for projects which satisfy certain conditions regarding location, industry, number of employees, etc. and also allows for calculation of CIT on a “deemed basis” in certain limited circumstances.

##### Value Added Tax (“VAT”)

The VAT system in Vietnam applies to goods and services used for production, business and consumption in Vietnam. Vietnamese companies will be required to register for VAT in Vietnam. As a registered VAT payer, a Vietnamese company must record and compute all its input VAT and output VAT on a monthly basis and file a VAT return at the local tax authority. The company then either pays the difference between the output VAT and input VAT to the Government or is entitled to a VAT refund.

## *Tax Treaties*

Vietnam has entered into a comprehensive network of treaties for the elimination of double taxation, involving almost all of its significant trading partners, except for, among others, the United States, Hong Kong, and the Cayman Islands.

### **C. The United States**

#### Federal Income Tax Considerations

The following is a general summary of some of the United States Federal income tax consequences to United States investors who purchase Participating Shares of the Fund (“**Investors**”). It is not intended as a complete analysis of all possible tax considerations in acquiring, holding and disposing of Participating Shares and, therefore, is not a substitute for careful tax planning by each prospective purchaser of Participating Shares, particularly since the United States Federal, state and local income tax consequences of an investment in the Fund may not be the same for all taxpayers. Except as specifically noted, the following general discussion assumes that each Investor holds its interest in the Fund as a capital asset and is the initial holder of such interest. Except as specifically indicated, the following discussion does not address tax considerations applicable to Investors that may be subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, dealers or traders in securities or currencies, persons that will hold interests as part of a “hedging” or “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes or persons that have a “functional currency” other than the U.S. dollar. In addition, the following discussion does not consider alternative minimum tax consequences, U.S. federal estate and gift tax consequences or any state or local tax consequences with respect to the purchase, ownership or disposition of an interest in the Fund. Prospective Investors should consult their own tax advisers with respect to the tax consequences (including state, local and foreign tax consequences) of an investment in the Fund.

This discussion of the United States Federal income tax consequences of an investment in the Fund is based upon existing law, contained in the Internal Revenue Code of 1986 (as amended, the “**Code**”), the Treasury regulations promulgated under the Code, administrative rulings and other pronouncements, and court decisions as of the date hereof. The existing law, as currently interpreted, is subject to change by either new legislation or by differing interpretations of existing law in regulations, administrative pronouncements or court decisions as of the date hereof, and such authorities may be repealed, revoked or modified (possibly on a retroactive basis) so as to result in U.S. federal income tax consequences different from those discussed below.

No rulings have been or will be sought from the Internal Revenue Service with respect to the matters discussed below and thus there can be no assurance that the Internal Revenue Service would agree with the conclusions expressed.

For purposes of this discussion, a “U.S. Investor” is either (1) an individual who is a citizen or resident of the U.S., as determined for U.S. federal income tax purposes, (2) a corporation that is organized in or under the laws of the U.S. or any political subdivision thereof, (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (4) a trust (A) that is subject to the supervision of a court within the U.S. and one or more U.S. Persons have the authority to control any substantial decisions of the trust, or (B) that has a valid election under applicable U.S. Treasury regulations to be treated as a U.S. Person, none of which constitute a U.S. Tax-Exempt Investor. A “U.S. Tax-Exempt Investor” is a U.S. Person as defined under Section 7701(a)(30) of the Code that is exempt from U.S. federal income tax on its passive investment

income (including tax exempt foundations and endowment funds, qualified pension or profit sharing plans and IRAs). A "Non-U.S. Investor" is an Investor that is neither a U.S. Investor nor a U.S. Tax-Exempt Investor.

**TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT THE DISCUSSION OF TAX MATTERS SET FORTH IN THIS MEMORANDUM WAS WRITTEN IN CONNECTION WITH THE PREPARATION OF THIS PROSPECTUS SUPPLEMENT AND WAS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY PROSPECTIVE INVESTOR, FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER FEDERAL, STATE, OR LOCAL TAX LAW. IF YOU ARE CONSIDERING THE PURCHASE OF INTERESTS IN THE FUND, YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO YOU AND ANY CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION.**

#### U.S. Tax Classification of the Fund

The Fund will be treated as a corporation for United States Federal tax purposes. The Fund will be required to file U.S. federal income tax returns and will be subject to U.S. federal income tax to the extent it derives income effectively connected with a US trade or business ("ECI"). Such ECI will be subject to U.S. federal income tax at a maximum rate of 35%, plus a 30% branch profits tax on all or a portion of such ECI, yielding an effective tax rate of up to 54.5%. The determination of whether the Fund is engaged in a U.S. trade or business is based on all of the facts and circumstances. However, based on the organizational structure and method of operation of the Fund and the investments that the Fund expects to make, the Fund does not expect to be treated as being engaged in a United States trade or business. If true, the Fund will not be required to file United States tax returns and should not be ordinarily subject to United States Federal or state taxation on a net income basis.

*U.S. Withholding Tax.* In general, under Section 881 of the Code, a non-U.S. entity which does not conduct a U.S. trade or business is nonetheless subject to tax at a flat rate of 30% (or lower tax treaty rate) on the gross amount of certain U.S. source income which is not effectively connected with a U.S. trade or business. This tax generally is payable through withholding and applies to income that is fixed or determinable annual or periodic in nature, including dividends (with limited exceptions for certain mutual fund dividends and certain REIT dividends, respectively) and certain interest income. There is presently no tax treaty that would reduce the 30% withholding tax rate for the Fund. The Fund does not expect to have U.S. sourced income or to be engaged in a U.S. trade or business. Therefore, the Fund's activities should not be subject to any U.S. withholding tax. The Fund expects that it should not be subject to state and local taxes in the United States on its income or capital.

Neither the Investment Advisor nor the Fund make any representation or guarantee that the Fund will not be deemed engaged in a U.S. trade or business. Should, contrary to expectation, the Fund be treated as engaged in a United States trade or business, the Fund would be required to report its ECI on United States tax returns and be subject to tax on such income in a manner analogous to United States corporations and subject the Fund to a "branch profits" tax. A failure to file required returns could cause the Fund to be denied otherwise allowable deductions or subject the Fund to penalties and interest. In addition, interest on debt issued by the Fund would be U.S. source income potentially subject to withholding.

## Consequences to U.S. Investors

### **General Rules for United States Investors in Fund Equity**

Generally, U.S. Investors in the Fund may recognize income with respect to their Participating Shares (i) upon receiving distributions from the Fund, (ii) disposing of interests in the Fund, or (iii) the Fund's redemption of a U.S. Investor's Participating Shares.

*Distributions.* Subject to the discussion on the anti-deferral regimes discussed below, distributions by the Fund to U.S. Investors are generally treated as dividends to the extent of the corporation's earnings and profits (computed based upon United States tax principles), then as returns of capital to the extent of the distributee's basis in the corporation's stock and finally as gains from the sale of the stock to the extent the distribution exceeds the distributee's basis in the stock. Participating Shares received pursuant to the exercise of an option to reinvest dividends will be treated as a distribution in an amount equal to the fair market value of the shares received plus any service fee subtracted from the amount of the distribution. Distributions of the Fund that constitute dividends for U.S. federal income tax purposes will not be eligible for the dividends-received deduction allowable to U.S. Investors that are corporations or entitled to the reduced rates of tax available for certain qualified dividends received by U.S. Investors that are natural persons.

*Sale of Participating Shares.* Subject to the discussion on the anti-deferral regimes discussed below, U.S. Investors generally recognize capital gain or loss on the disposition of Participating Shares. If the Participating Shares are held for more than one year, any gain recognized is generally taxed at reduced rates. Capital losses are subject to limitation.

*Redemptions.* Subject to the discussion on the anti-deferral regimes discussed below, distributions in redemption of a U.S. Investor's Participating Shares by the Fund may be treated in the same manner as a sale of the Participating Shares if the distribution (1) results in a complete liquidation of a U.S. Investor's interest in the Fund, (2) "significantly" reduces the U.S. Investor's proportionate interest in the Fund, or (3) is otherwise "not essentially equivalent to a dividend," all as determined under U.S. tax principles. If not, the distributions will be treated as described above under "*Distributions.*"

*U.S. Anti-Deferral Regimes.* In the case of investments in the Fund, the general rules described above are superseded in many respects by anti-deferral regimes that require that U.S. Investors pay tax currently on certain earnings of certain foreign corporations, whether or not those earnings are distributed currently.

*PFICS.* The most relevant of these regimes is that governing passive foreign investment companies ("**PFICs**"). A corporation is a PFIC if in any tax year either (i) 75% or more of its gross income constitutes passive income or (ii) 50% or more of its gross assets are assets that produce passive income. The Fund is likely to be a PFIC. Generally, if a corporation is a PFIC, unless the qualified electing fund ("**QEF**") rules (as described below) apply to an investor, income or gains derived from the disposition of PFIC stock and from certain "excess distributions" are treated as ordinary income and may be subject to an interest charge. The amount of tax and interest due is computed by allocating the gain or excess distribution ratably to each day of a stockholder's holding period for the PFIC stock. Gain (or distributions) allocable to the current year is taxed in the current year. A separate tax is computed for gain or distributions allocable to prior taxable years. That amount (due as a tax in the year of sale or excess distribution) is equal to (i) a "deferred tax amount" for each prior year, equal to the product of the amount of gain or distribution allocated to that year multiplied by the highest applicable marginal tax rate for individuals or corporations for that year

and (ii) interest for each year, computed as if the deferred tax amount were a deficiency for that year, *i.e.*, by applying the Federal rate applicable to tax underpayments for the period from the due date of the taxpayer's return for the prior year to the due date of the taxpayer's return. For purposes of these rules, an "excess distribution" is any distribution (other than a distribution during the first year a shareholder holds PFIC stock) that exceeds 125% of the average amount of distributions received by that shareholder with respect to the PFIC stock during the preceding three tax years (or, if shorter, the portion of the shareholder's holding period prior to the current year). Excess distributions in prior years are not taken into account in determining which distributions are excess distributions. Distributions other than excess distributions are treated under the general rules described above under "*Distributions.*"

In order to avoid the treatment outlined above, a U.S. person (other than U.S. persons exempt from U.S. tax) could make a QEF election with respect to its PFIC shares. If a shareholder makes a QEF election, the shareholder is required to include in its gross income annually a *pro rata* share of the PFIC's ordinary earnings and profits and net capital gains for each year and the shareholder would then increase the basis in its PFIC stock by the amount of the income inclusion. The shareholder could then receive actual distributions of earnings and profits that correspond to QEF inclusions tax-free (but must reduce its basis in the PFIC stock by the tax-free distribution). A shareholder may elect to defer the payment of tax attributable to a QEF election to the extent the QEF income inclusions exceed actual distributions, subject to an interest charge. The QEF election must generally be made by the due date for the filing of a tax return for any taxable year by the first United States person in a chain of ownership.

The Fund anticipates that it will constitute a PFIC. As such, the adverse tax consequences outlined above will apply to U.S. Investors that own Participating Shares. A U.S. Investor may make the QEF election only if the Fund provides to the U.S. Investor certain information regarding the Fund's income and losses for each taxable year that it constitutes a PFIC, generally in the form of a "PFIC Annual Information Statement". The Fund will attempt to provide a U.S. Investor the information necessary to make a QEF election with respect to the Fund upon request, but it can provide no assurances that it will be able to do so.

U.S. Investors are cautioned that certain entities in which the Fund invests may themselves be PFICs, and U.S. Investors may be subject to the consequences described above based on their indirect ownership of an underlying PFIC entity. The status of such underlying entities as PFICs may not be apparent to the Fund, and the Fund does not intend, nor does it expect to be able, to make any independent investigation or determination regarding the PFIC status of its investments. Any such underlying PFIC entity may be unable or unwilling to provide the information necessary to permit a U.S. investor to make a QEF election with respect to it.

A U.S. Investor in a PFIC (whether or not a QEF election is made) is required to file Form 8621 with the Internal Revenue Service. Additional information must be filed by a U.S. Investor that has made a QEF election with respect to a PFIC. PFIC stock (unlike stock generally) is not entitled to a step-up basis to fair market value upon the death of a shareholder, unless the decedent was a nonresident alien at all times during his or her holding period for the PFIC stock. U.S. Investors are strongly urged to consult their tax advisors as to the tax consequences of the holding and disposition of an interest in a PFIC.

*CFCs.* The Fund may be a controlled foreign corporation ("**CFC**"). A foreign corporation is a CFC if more than fifty 50% of the total voting power of all classes of the corporation's stock entitled to vote or the total value of the corporation's stock is owned by "10% United States shareholders," defined for this purpose as United States persons (including partnerships) that own

(directly, indirectly or constructively) 10% or more of the total combined voting power of all classes of the corporation's voting stock (a "U.S. Shareholder"). If a corporation qualifies as a CFC for an uninterrupted period of 30 days or more during the taxable year, the U.S. Shareholders of the CFC would generally be subject to current U.S. tax on certain types of income of the non-U.S. corporation (e.g., dividends, interest, certain rents and royalties, gain from the sale of property producing such income, certain income from sales and services), regardless of cash distributions from the company. The mechanics of the income inclusions are detailed and complex, but generally their effect is similar to the U.S. Shareholder being deemed to receive (and reinvest) a dividend. Amounts included in income of a U.S. Shareholder are not again includable in income of a U.S. Shareholder when distributed. If the earnings and profits of a CFC are not distributed, a U.S. Shareholder receives an increase in the basis of its CFC stock as a result of the income inclusion. Gain on the sale or exchange of CFC stock (including gain realized on the receipt of a liquidating or redemption distribution by a U.S. Shareholder) is treated as ordinary income to the extent of that person's share of the corporation's undistributed earnings and profits (taking into account required CFC income inclusions as deemed distributions) if the United States person was a U.S. Shareholder of the CFC at any time during the five years preceding the sale. Special rules apply to certain sales by individuals. U.S. Investors are strongly urged to consult their tax advisors as to the tax consequences of the holding and disposition of an interest in a CFC.

*Miscellaneous Items.* U.S. Investors that are natural persons (and certain closely held corporations) should note that income and loss derived from the Fund (including income attributable to a PFIC or CFC) will be treated as portfolio income and loss. As such, any income cannot be offset by passive losses, and the income or loss will enter into the computation of the investment interest limitation of Code Section 163(d). Any expenses of investing in the Fund will be considered investment expenses and will be subject to the limitations on deductibility of miscellaneous itemized deductions of Code Section 67(a).

#### Consequences to U.S. Tax-Exempt Investors

The following describes consequences to U.S. Tax-Exempt Investors. A U.S. Tax-Exempt Investor, although generally exempt from U.S. federal income taxation, is taxable on its unrelated business taxable income ("UBTI") in excess of US\$1,000 for the taxable year. The tax on a U.S. Tax-Exempt Investor's UBTI generally is imposed at the rates that would apply to such investor if it were not tax-exempt. UBTI is generally the excess of gross income from any unrelated trade or business conducted by a tax-exempt entity over the deductions attributable to such trade or business, with certain modifications. These modifications provide that UBTI generally does not include interest, dividends or gains from the sale of securities not held as either inventory or primarily for sale to customers in the ordinary course of business, except to the extent that any such item of income is derived from or attributable to "debt-financed property" within the meaning of Section 514(b) of the Code. Accordingly, except in the unusual case where the Participating Shares held by a U.S. Tax-Exempt Investor constitute "debt-financed property," distributions received in respect of the Participating Shares or gains realized upon a disposition of such Participating Shares generally should not be treated as UBTI. U.S. Tax-Exempt Investors are urged to confirm with their own tax advisors that their investment in Participating Shares is not debt-financed, and the balance of this discussion assumes that it is not.

In addition to the UBTI rules discussed above, certain U.S. Tax-Exempt Investors may be subject to special set-aside and reserve requirements and excise taxes as to which they should consult their tax advisor.

A U.S. Tax-Exempt Investor which owns 10% or more (taking certain attribution rules into account) of the Participating Shares of the Fund in any year will be required to file an annual information return, IRS Form 5471, with the IRS. Each U.S. Tax-Exempt Investor also should consult its tax advisor concerning whether it is required to file an IRS Form 926 in connection with its investment in Participating Shares. U.S. Tax-Exempt Investors are urged to consult their own tax advisors concerning these and any other reporting requirements.

Legislation has been proposed in the past that would treat dividends and CFC inclusions of any tax-exempt investor that owned (directly or by attribution) more than 10% of the voting power of a foreign corporation as UBTI in certain circumstances. It is impossible to predict whether similar legislation will be proposed or adopted in the future and the precise form which any legislation may take.

#### United States Taxation of Non-U.S. Investors

Special tax considerations apply to Investors of the Fund that are foreign taxpayers for United States income tax purposes, such as nonresident aliens, foreign corporations, foreign sovereigns, foreign institutional investors and foreign trusts and estates, in each case that are not otherwise carrying on a trade or business in the United States (collectively, “**Non-U.S. Investors**”). For U.S. federal income tax purposes, a Non-U.S. Investor that invests in the Fund generally will not be subject to U.S. federal income or withholding tax on dividends paid by the Fund in respect of its Participating Shares, if any, or gains recognized on the sale, exchange, redemption or other disposition of such Participating Shares. Special rules may apply in the case of certain Non-U.S. Investors that invest in the Fund, such as (i) certain Non-U.S. Investors that have an office or fixed place of business in the United States to which distributions or gains in respect of the Participating Shares are attributable, (ii) certain individual Non-U.S. Investors that have a “tax home” in the United States, (iii) Non-U.S. Investors that are former citizens or residents of the United States and (iv) Non-U.S. Investors that are controlled foreign corporations, foreign insurance companies or corporations that accumulate earnings to avoid U.S. federal income tax. Such Investors are urged to consult their tax advisors before investing in the Fund.

In the case of Participating Shares held in the United States by a custodian or nominee for a Non-U.S. Investor, federal backup withholding taxes may apply to distributions in respect of Participating Shares unless such Investor properly certifies as to its non-U.S. status or otherwise establishes an exemption from backup withholding.

*Branch Profits Tax.* The Fund generally will be subject to the branch profits tax at the rate of 30% on its earnings and profits attributable to ECI not treated as reinvested in the United States. There is no income tax treaty between the Cayman Islands and the United States. The effect of the branch profits tax is to increase the maximum U.S. federal income tax rate on ECI derived by Fund from 35% to 54.5%, which may be higher than the rate applicable to a Non-U.S. Investor taxable as a corporation that is entitled to tax treaty relief with respect to branch profits tax.

*U.S. Withholding Tax on Dividends and Interest.* As described above, dividend and interest income from U.S. sources (other than exempt “portfolio interest” and certain other categories of exempt interest) received by the Fund generally will be subject to U.S. federal withholding tax at the rate of 30% .

*Investments in Foreign Issuers.* Dividends and interest received by the Fund on investments in securities of foreign issuers and gains from the sale of such securities may be subject to foreign

withholding and other taxes. In general, applicable tax treaties may reduce (or eliminate) the rates of withholding or other tax otherwise imposed by foreign countries.

*State and Local Tax.* If the Fund were to have to file a U.S. federal income tax return, it also may be required to file tax returns and may be subject to taxation in one or more state or local jurisdictions in the United States.

#### Additional Tax Considerations

No attempt has been made here to discuss all potential United States tax consequences to potential Investors. In particular, no attempt has been made to describe the rules under which the Fund will be deemed to recognize income and loss under United States tax principles as a result of their investments. Though, as discussed above, the Fund does not expect to be subject to United States taxation, its income and loss under United States tax principles will determine the income that will be recognized by U.S. Investors under the anti-deferral provisions discussed above. In addition, U.S. Investors may be liable for state and local income taxes payable in the state or locality in which the investor is a resident or doing business.

#### Importance of Obtaining Professional Advice

**THE FOREGOING ANALYSIS IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. THE FOREGOING IS A SUMMARY OF SOME OF THE IMPORTANT TAX RULES AND CONSIDERATIONS AFFECTING THE INVESTORS, THE FUND AND THE FUND'S PROPOSED OPERATIONS AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF ALL RELEVANT TAX RULES AND CONSIDERATIONS, NOR DOES IT PURPORT TO BE COMPLETE LISTING OF ALL POTENTIAL TAX RISKS INHERENT IN PURCHASING OR HOLDING THE PARTICIPATING SHARES OF THE FUND. PROSPECTIVE INVESTORS IN THE FUND ARE URGED TO CONSULT THEIR OWN TAX ADVISORS ON THE TAX CONSEQUENCES TO THEM OF ACQUIRING, HOLDING, REALISING, TRANSFERRING OR WITHDRAWING THE PARTICIPATING SHARES UNDER THE RELEVANT LAWS OF THE JURISDICTIONS TO WHICH THEY ARE SUBJECT, INCLUDING ANY EXCHANGE CONTROL REQUIREMENTS. THESE CONSEQUENCES, INCLUDING THE AVAILABILITY OF, AND THE VALUE OF, TAX RELIEF TO INVESTORS WILL VARY WITH THE LAW AND PRACTICE OF THE INTEREST HOLDERS' COUNTRY OF CITIZENSHIP, DOMICILE OR INCORPORATION AND THEIR PERSONAL CIRCUMSTANCES. ACCORDINGLY, PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISERS REGARDING THE POSSIBLE TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND.**

#### **D. Certain ERISA Considerations**

The following summary is based upon the United States Employee Retirement Income Security Act (“ERISA”), judicial decisions, Department of Labor (“DOL”) regulations and rulings in existence on the date hereof. This summary is general in nature and does not address every ERISA issue that may be applicable to the Fund or a particular investor. **Accordingly, each prospective purchaser of Participating Shares should consult with its own counsel in order to understand the ERISA issues affecting the Fund and the investor.**

## General

Each prospective purchaser of Participating Shares that is an employee benefit plan subject to Title I of ERISA and plans subject to Section 4975 of the Code, including individual retirement accounts or Keogh plans (each, an “ERISA Plan”), as well as employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) (collectively, with ERISA Plans, referred to as “Plans”), should consider the matters described below in determining whether to invest in the Fund. In addition, fiduciaries of a Plan must give appropriate consideration to, among other things, the role that an investment in the Fund plays in the Plan’s portfolio, taking into consideration whether the investment is designed reasonably to further the Plan’s purposes, the investment’s risk and return factors, the portfolio’s composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the Plan, the projected return of the total portfolio relative to the Plan’s objectives, and the limited right of Shareholders to redeem or transfer all or any part of their Participating Shares.

In analyzing the prudence of an investment in the Fund, special attention should be given to the DOL’s regulations on investment duties for Plans subject to ERISA, which require, among other things, (i) a determination that each investment is reasonably designed, as part of a Plan’s portfolio, to further the purposes of such Plan, (ii) an examination of risk and return factors and (iii) consideration of the portfolio’s composition with regard to diversification, the liquidity and current return on the total portfolio relative to the Plan’s funding objectives. Under ERISA, a fiduciary may be liable for any loss resulting from a breach of his fiduciary duty and, under certain circumstances, may be held liable for breaches by co-fiduciaries. Before investing in Participating Shares, then, a fiduciary of an Plan subject to ERISA should carefully consider whether such investment is consistent with its fiduciary responsibilities. Neither the Fund nor the Investment Advisor assumes any responsibility with respect to such matters.

## Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in certain transactions involving “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under the Code (together, “**parties in interest**”) with respect to the ERISA Plan. A violation of these “prohibited transaction” rules may result in the rescission of the transaction by the ERISA Plan or an excise tax or other liability under ERISA or Section 4975 of the Code for these persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to other, substantially similar foreign or U.S. federal, state or local laws.

The fiduciary of an ERISA Plan that proposes to purchase and hold any Participating Shares should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between an ERISA Plan and any party in interest or a disqualified person and (iii) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any ERISA Plan assets. The acquisition and/or ownership of Interests by an ERISA Plan with respect to which the Fund is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or

individual prohibited transaction exemption. In this regard, the DOL has issued several prohibited transaction class exemptions (“PTCEs”) that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Participating Shares, whether or not the assets of the Fund were deemed to be “plan assets” of ERISA Plans investing in the Fund. Those class exemptions include PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers).

### Plan Asset Regulation

The DOL has issued a regulation (the “**Plan Asset Regulation**”) describing when the underlying assets of an entity in which certain benefit plan investors (the “**Benefit Plan Investors**”) invest constitute “plan assets” for purposes of ERISA and/or the Code. The term “Benefit Plan Investors” is defined in the regulation to include any employee benefit plan subject to the fiduciary rules of Title I of ERISA, any plan to which the Code Section 4975 prohibited transaction rules apply and any entity whose underlying assets are deemed to include “plan assets” of Benefit Plan Investors, but only to the extent of the percentage of the equity interests held by Benefit Plan Investors. The effect of the Plan Asset Regulation is to treat certain entities as pooled funds for the collective investment of plan assets.

The Plan Asset Regulation provides that, as a general rule, when a plan invests assets in another entity, the plan’s assets include its investment, but do not, solely by reason of such investment, include any of the underlying assets of the entity. When a plan acquires an “equity interest” in an entity that is neither (a) a “publicly offered security” nor (b) a security issued by an investment company registered under the Investment Company Act, however, then the plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, *unless* it is established that: (i) the entity is an “operating company”, including a “venture capital operating company” or (ii) the equity participation in the entity by Benefit Plan Investors is not “significant”. Equity participation in an entity by Benefit Plan Investors is considered “significant” if 25% or more of the value of any class of equity interests in the entity is held by such Benefit Plan Investors. For purposes of this test, a redemption by an investor may be treated as the acquisition of an equity interest by the remaining investors. Any Participating Shares held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to the assets of the Fund who provides investment advice for a fee (direct or indirect) with respect to such assets or any affiliate of any such person must be excluded from the total outstanding Participating Shares in determining whether Benefit Plan Investors own less than 25% of the value of the outstanding Participating Shares.

If the assets of the Fund were regarded as “plan assets” of a Benefit Plan Investor, then certain persons providing services to the Fund, including the Investment Advisor, would be considered “fiduciaries” under ERISA with respect to such Benefit Plan Investors, and certain transactions between the Fund and “parties in interest” may be deemed to constitute non-exempt prohibited transactions and might have to be rescinded. Potential purchasers of Participating Shares should be aware that if the Fund is deemed to hold plan assets, the Investment Advisor may have to forego certain investments to avoid potential violations of ERISA. Also, under one interpretation of the Plan Asset Regulation, the assets of the Fund might have to be held in accordance with regulations governing the indicia of ownership of foreign assets.

### Limitation on Participating Shares Held by Benefit Plan Investors; Rights of the Fund

The Participating Shares are “equity interests” for purposes of the Plan Asset Regulations. Consequently, the Fund has established procedures to monitor the investments in the Fund to ensure that the aggregate investment by Benefit Plan Investors does not equal or exceed 25% of the value of Participating Shares in the Fund (as determined in the Plan Asset Regulation) so that equity participation by Benefit Plan Investors should not be considered “significant” under the Plan Asset Regulation and, as a result, the underlying assets of the Fund should not be deemed “plan assets” for purposes of ERISA. Accordingly, any Shareholder may be prevented from transferring any of its Participating Shares if, after giving effect to such transfer, the 25% limit described above would be exceeded. In such a situation, one or more Benefit Plan Investors may be required to dispose of some or all of their Participating Shares. Although the Fund has established procedures to monitor transactions in the Participating Shares of the Fund, there can be no assurance that the underlying assets of the Fund will not be considered to be “plan assets”.

### Governmental Plans

Government sponsored plans are not subject to the fiduciary provisions of ERISA and are also not subject to the prohibited transaction provisions under Section 4975 of the Code. However, federal, state or local laws or regulations governing the investment and management of the assets of such plans may contain fiduciary and prohibited transaction requirements similar to those under ERISA and the Code discussed above and may include other limitations on permissible investments. Accordingly, fiduciaries of governmental plans, in consultation with their advisors, should consider the requirements of their respective pension codes with respect to investments in the Fund, as well as the general fiduciary considerations discussed above.

### Representation by Investors

The fiduciaries of each Plan proposing to invest in the Fund will be required to represent and by making an investment in the Fund thereby do represent that they have been informed of and understand the Fund’s investment objectives, policies and strategies and that the decision to invest in the Fund is consistent with the provisions of ERISA, the Code, and/or any other similar law governing such Plan that require diversification of plan assets and impose other fiduciary responsibilities. Each investor in the Participating Shares will be required to make certain representations and covenants with respect to its status for purposes of enabling the Fund to monitor the ownership of Participating Shares by Benefit Plan Investors. In addition, any Plan or other U.S. tax-exempt organization should consider the potential applicability to it of the provisions relating to “unrelated business taxable income”.

WHETHER OR NOT THE UNDERLYING ASSETS OF THE FUND ARE DEEMED PLAN ASSETS UNDER THE PLAN ASSET REGULATION, AN INVESTMENT IN THE FUND BY A PLAN IS SUBJECT TO ERISA AND/OR THE CODE. ACCORDINGLY, FIDUCIARIES OF SUCH PLANS SHOULD CONSULT WITH THEIR OWN COUNSEL AS TO THE CONSEQUENCES UNDER ERISA AND/OR THE CODE OF AN INVESTMENT IN THE FUND.

The foregoing is a summary of some of the important tax and ERISA rules and considerations affecting the Shareholders, the Fund, and the Fund’s proposed operations. It does not purport to be a complete analysis of all relevant tax and ERISA rules and considerations, nor does it purport to be a complete listing of all potential tax and ERISA risks inherent in purchasing or holding an interest in the Fund. No assurance can be given that future regulations, changes in administrative

regulations or rulings or court decisions will not significantly modify the requirements summarized herein. Prospective purchasers of Participating Shares are urged to consult their own tax and legal advisers on the tax and potential ERISA consequences to them of acquiring, holding, realizing, transferring or redeeming Participating Shares in the Fund under the relevant laws of the jurisdictions to which they are subject, including any exchange control requirements. These consequences, including the availability of, and the value of, tax relief to Shareholders will vary with the law and practice of the Shareholder's country of citizenship, residence, domicile or incorporation and personal circumstances.

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### **XIII. CERTAIN RISK FACTORS, CONFLICTS OF INTEREST AND OTHER SPECIAL CONSIDERATIONS**

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*All securities investments risk the loss of capital. An investment in the Fund is speculative and prospective purchasers of Participating Shares should give careful consideration to the following factors relating to investment risks and potential conflicts of interest before subscribing. As a result of these factors, as well as other risks inherent in any investment, an investment in the Fund is not appropriate for all investors, and there can be no assurance that the Fund will meet its investment objectives or otherwise be able successfully to carry out such objectives.*

#### **Limited Operating History**

The Fund is a newly-formed entity that does not have an operating history. Although the Investment Advisor and the Investment Team have relevant prior experience, the Fund is a recently-formed enterprise with no operating history or prior results of operations.

#### **Performance**

The past performance of the Sponsor, its personnel and affiliates, should not be construed as an indication of the future results of an investment in the Fund. Prospective purchasers of Participating Shares should evaluate the Fund's investment program on the basis that there can be no assurance that the Investment Advisor's assessments of the short, intermediate or long-term prospects of investments will prove accurate.

#### **Lack of Liquidity of the Fund's Unlisted Investments**

As the Fund will invest in some companies that are not listed at the time of investment, the Fund may take longer to liquidate these positions than would be the case for publicly-traded securities. The absence of a liquid trading market for unlisted shares may also affect the procedures for valuation of such securities for financial reporting purposes and in calculating the Fund's NAV. In addition, Vietnamese capital markets are relatively new and thinly capitalized which may limit public offerings as a viable alternative for the liquidation of Fund investments. The price realized on such sales could be less than that originally paid by the Fund. Further, companies whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements applicable to public companies whose securities are publicly traded.

#### **Political Risk**

Vietnam is in the process of implementing far-reaching economic and legal reforms. It is uncertain whether the impetus for reform will continue, or prove to be successful. Furthermore, it is difficult to predict or anticipate future developments, as the Vietnamese legal structure is expected to undergo substantial change in the future. These changes may adversely affect the value of the Fund's investments. There is no assurance that the Fund will be able to obtain effective enforcement of its rights by legal or arbitration proceedings in Vietnam. The Government of Vietnam is considered to be one of the most stable in the region, but it is a socialist regime in which one political party makes all government decisions.

## **Transition to a Market Economy**

The Fund will be investing primarily in SOEs that have been equitized or are in the process of equitizing. These will be existing companies with established businesses, where the State is reducing its ownership to, in most cases, 30% or less of the equity capital. The process of equitization implies that these companies will be expected to compete on a level playing field without government support. This transition will in most cases be managed by existing management and this in itself represents a challenge. Many of these companies have underdeveloped technologies and equipment. Investors should also be aware that changes in governments or economic factors could result in a change in an emerging country's policies on privatization. The Fund may from time to time also invest in joint stock companies in Vietnam or in entities registered outside of Vietnam the main assets of which are located in Vietnam.

As part of the Fund's cash management activities, the Fund may invest in Vietnamese fixed income securities and from time to time, depending on opportunities perceived by the Investment Advisor, the Fund may seek to enhance returns through exposure to Vietnamese credit default swaps.

It is also likely that the performance of these investments will be affected by the general economic conditions, including the rate of GDP growth, in Vietnam. Moreover, while the Fund may seek to influence the successful development of companies through, for example, board memberships and, in certain circumstances, shareholders' agreements, the fact that the Fund will normally hold minority equity positions will mean that its ability to protect its investments is constrained.

## **Uncertainties of Relevant Laws**

The legal framework for the securities market and investments in securities in Vietnam has recently been updated, and has not been fully implemented as of the date of this Memorandum. There remain uncertainties in respect of the ability of the Investment Advisor to manage the affairs of the Fund, as discussed above at "*Vietnam's Foreign Investment Legislation*" in Section V headed "*Overview of Vietnam*". It is not yet clear how the management of the Fund will be affected, and it may require a considerable time before these uncertainties are adequately addressed by the authorities.

If the management structure as contemplated herein and under the Investment Advisory Agreement, is inappropriate or does not qualify under the current regime when implementing regulations are enacted, the Fund will need to devise a different management structure which may give rise to new considerations, including new tax factors, that may affect the results of the Fund's investments.

In addition, as of the date of this Memorandum, regulations that administer the processes for the Fund to invest in equitizing or equitized SOEs, or in private investments, are due to change. However, the timeframe for such changes to be promulgated and implemented, is unpredictable. The timely performance of the Fund may be affected. Finally the lack of regulatory expertise with private equity investments may inhibit the ability of the Fund to make investments.

## **Legal Risk**

Vietnam's legislative and legal system is derived and developed from the legacy of French civil law and present day China-styled legislation. The laws and regulatory apparatus affecting the economy and regulating business activities are in a relatively early stage of development and not as well established, sophisticated and tested as compared to developed economies and jurisdictions like the US or the UK, or closer to the region, like Singapore or Australia. Although in recent years the legal system in Vietnam has been moving towards increased sophistication, transparency and access for foreign investors, endemic inconsistencies and legal issues still occur in high level laws like the Civil Code and the Commercial Law which impact related regulations and accordingly business activities. Recognition and enforcement of legal rights through Vietnam courts, arbitration centers and administrative agencies in the event of dispute is trying and uncertain. As Vietnam's legal system develops, it is expected that inconsistencies and uncertainties in laws and regulations will continue to arise and be addressed as older laws are repealed or updated to accord with newer laws and regulations. This is an on-going process and it is difficult to predict as to when Vietnam's legal system will merit a higher level of confidence and comfort for investors and the business community.

## **Exchange Rates**

The Fund intends to make investments in and earn income denominated in Dong, which is not freely convertible into other currencies. It is currently not always possible to hedge the Dong. The Fund may from time to time hedge the Fund's currency exposure, if hedging can be undertaken on commercially reasonable terms, but it may not always be practicable to enter into hedging transactions on terms and conditions favorable to the Fund, and the Fund is not obligated to enter into hedging transactions. Exchange rate fluctuations and local currency devaluation could have a material effect on the value of the Fund's investments.

## **Tax Uncertainty**

The Vietnamese tax code and tax assessment, collection and crediting systems are under development, including the systems applicable to the taxes that may be assessed against transactions concluded in Vietnam. For example, there may be changes to the capital gains tax regime, which would affect the Fund's returns. There are also various tax implications associated with ownership of the Shares. Prospective purchasers are recommended to consult their lawyer, accountant or other tax adviser before subscribing. See Section XII headed "*Tax and ERISA Considerations*".

## **Interest Rate Risk**

Changes in interest rates may adversely affect the investments of the Fund. Changes in the general level of interest rates can affect the Fund's income by affecting the spread between the income on its assets and the expense of its interest-bearing liabilities. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Fund.

## **Competition**

There is currently and will likely be competition for investment opportunities by investment vehicles and others with investment objectives and strategies identical or similar to those of the Fund. As a result, and in general, the Fund may be unable to find a sufficient number of attractive opportunities to meet its investment objectives or fully invest its capital. Such competition may also drive up the price of investing and reduce returns.

## **Overall Investment Risk**

All securities investments risk the loss of capital. The nature of the securities to be purchased on behalf of the Fund may increase this risk. While the Investment Advisor will devote its good faith efforts to the management of the Fund's portfolio, there can be no assurance that the Fund will not incur losses. Many unforeseeable events, including actions by various governmental agencies, and domestic and international political events, may cause sharp market fluctuations and result in losses to the Fund.

## **Political and Social Instability in Asian Countries**

The Asian region has experienced various degrees of political instability in recent years including bombings in Indonesia, southern Thailand and the Philippines and other terrorist activities around the region. There can be no assurance that further terrorist acts will not occur in the future. A resurgence of political instability or terrorist activity in Asia may have an adverse effect on the Vietnamese economy and the Fund.

## **Dependence on Key Employees**

The Fund's investment performance at any given time will be substantially dependent on the services of certain key personnel. In the event of the death, disability or departure of any of these individuals, the business of the Fund may be adversely affected.

## **Market Changes**

The Fund's performance and the successful fulfillment of its strategy are in part dependent on the health of the overall economic situation in Vietnam. Any worsening of economic conditions could materially adversely affect the Fund's financial condition and results of operations.

## **Accounting Standards**

Vietnam does not always use auditing, reporting, accounting or valuation methods which are generally accepted in international practice. Vietnamese law requires that listed companies be audited according to Vietnamese accounting standards by a Vietnamese accounting firm. Therefore, the Fund expects that there will be a greater degree of investment risk arising from the difficulty of obtaining reliable financial information than would be present in other markets. Furthermore, accounting and internal control standards at Vietnamese companies typically lag behind the standards at U.S. and European companies, which may limit the Fund's ability to properly assess, value and monitor its investments.

## **Corporate Governance and Disclosure**

Investing in Vietnamese companies entails certain risks as concepts of corporate governance are not yet fully understood and have not been generally implemented. Although an objective of the capital market regulations is generally to promote full and fair disclosure of material corporate information, there may be less publicly available information about public companies in Vietnam than is typically made available by public companies in countries with more established securities markets. This may increase the risk associated with any investment made by the Fund in public or other companies.

## **Vietnamese Statistics and Information**

Most of the information in this Memorandum on Vietnam has been derived from official Government publications, reports from reputable international organizations, and other public sources deemed by the Board to be representative of the general understanding of Vietnam. Investors are advised that statistical information on Vietnam is not independently verifiable at this time, however, and investors are advised not to place undue reliance on the information presented herein when considering a decision to invest in the Fund.

The Fund makes no representation or warranty as to the accuracy, correctness or completeness of such information.

## **Operating Expenses**

The Fund's annual operating expenses may be higher than those of other investment companies, in part because of the additional time and expense required in pursuing the Fund's investment objective of making direct investments in Vietnam. Investing in Vietnam entails additional time and expense because available public information concerning such investments is limited in comparison to, and not as comprehensive as, that available for investments in other countries, and because of the rapid evolution of applicable regulations governing foreign investment in Vietnam.

## **Enforcement of Judgments**

The Fund and the Investment Advisor are exempted companies incorporated under the laws of the Cayman Islands, and a majority of their respective directors and officers are residents of Southeast Asia. As a result, it may not be possible to effect service of process against any of such persons in any suit, action or proceeding or enforce against them any judgment obtained against them, including, without limitation, judgments of U.S. courts regarding liabilities predicated upon the U.S. securities laws.

## **Conflicts of Interest**

The Investment Advisor will be subject to a variety of conflicts of interest in recommending investments to the Fund.

The Fund is or may be subject to a number of actual and potential conflicts of interest involving the Investment Advisor and its affiliates. Finansa and its affiliates engage in a broad spectrum of activities, including financial advisory activities, and have extensive investment activities that are independent from and may from time to time conflict with those of the Fund. There might arise instances where the interests of Finansa or its affiliates conflict with the interests of the Fund.

Finansa or any of its affiliates may engage in transactions with, and may provide services to, companies in which the Fund invests or could invest.

The existence of the Incentive Fee may create an incentive for the Investment Advisor to recommend more speculative investments for the Fund than it would otherwise make in the absence of such performance-based compensation.

## APPENDIX A – SELLING RESTRICTIONS

### General

Notwithstanding the information below, no person receiving this Memorandum in any jurisdiction may treat this Memorandum as constituting an offer or invitation to them to purchase the Interests, unless in the relevant jurisdiction such an offer or invitation could be lawfully made to them.

Accordingly, this Memorandum does not constitute an offer or invitation by anyone in any jurisdiction in which such offer or invitation is not lawful or in which the person making such an offer or invitation is not qualified to do so or to anyone to whom it is unlawful to make such offer or invitation. It is the responsibility of any person in possession of this Memorandum, and any person who wishes to express an interest in the Interests, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdictions.

Prospective investors should note that all the information set out below for a particular jurisdiction may not reflect the applicable laws or regulations relating to an offer or invitation to subscribe for or purchase the Interests in that jurisdiction. Accordingly, the information set out below should be used as a guide only and should not be relied upon.

### For Residents of Australia

The provision of this Memorandum to any person in Australia does not constitute an offer of Participating Shares to that person or an invitation to that person to apply for the issue of Participating Shares unless the recipient is a person to whom an offer of Participating Shares may be made in Australia without the need for a prospectus pursuant to Chapter 6D of the Corporations Act 2001 (CWLTH) ("**Corporations Act**") or a product disclosure statement under Part 7.9 of the Corporations Act pursuant to the exemptions for offers to wholesale clients. This Memorandum is not, and under no circumstances is to be construed as, an advertisement or a public offering of the Participating Shares in Australia. The Fund is not registered as a managed investment scheme in Australia, and no securities commission or similar authority in Australia has reviewed or in any way passed upon this document or the merits of the Participating Shares, and any representation to the contrary is an offense. The Participating Shares may not be resold in Australia other than to a person who is a professional or wholesale client as defined in the Corporations Act. The Participating Shares may not be resold in Australia within a period of twelve (12) months after the date of issue otherwise than on a basis excluded from disclosure in accordance with the Corporations Act. An investor in the Fund will not have cooling-off rights.

### For Residents of Hong Kong

This Memorandum does not constitute an offer or invitation to the public in Hong Kong to subscribe for Participating Shares in the Fund. Accordingly, unless permitted by the securities laws of Hong Kong, (i) no person may issue or cause to be issued this Memorandum in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder or in circumstances which do not constitute an offer or sale of Participating Shares in the Fund to the public in Hong Kong for the purposes of the prospectus requirements of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) no person may issue or have in its possession for the purposes of issue, this Memorandum, or any advertisement, invitation or document relating to the

Participating Shares in the Fund, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong, other than with respect to the Participating Shares in the Fund which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

An application for subscription of Participating Shares in the Fund is not invited from any person in Hong Kong other than a person whom a numbered copy of this Memorandum has been issued and if made, will not be accepted. No person to whom a numbered copy of this Memorandum is issued may issue, circulate or distribute this Memorandum in Hong Kong, or make, give or show a copy of this Memorandum to any other person.

### **For Residents of Japan**

No securities registration statement pursuant to Article 4, Paragraph 1, of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the "FIEL") has been prepared nor filed with respect to solicitation of an offer to acquire the Participating Shares, because such solicitation constitutes a private placement under Article 2, Paragraph 3, Item 2, 2nd sub-item, of the FIEL.

No person in Japan who purchases or otherwise acquires Participating Shares may sell, assign, transfer or otherwise dispose of all or part of its Participating Shares or its rights or titles under the Memorandum and Articles without the consent of the Board.

The Board will not consent to the sale, assignment, transfer or disposal of less than all of such person's Participating Shares to a single purchaser, assignee, transferee or counterparty. The purchaser, assignee, transferee or person who has otherwise acquired such Participating Shares in Japan must, in the case of a further sale, assignment, transfer or disposition, deliver a notice of resale restrictions stating the matters mentioned in the preceding paragraphs and this paragraph concurrently with or in advance of such further sale, assignment, transfer or disposition. The aggregate number of offerees of Participating Shares of the Fund in Japan must be less than 50 with respect to (i) Participating Shares of the Fund being offered and (ii) Participating Shares in the Fund issued during the six-month period immediately preceding the date of issuance of Participating Shares of the Fund being offered.

The value of the Participating Shares will be affected by the movement of prices of the securities and other assets to be incorporated into the Fund. All profits and losses resulting from the investment management of these assets will be for the account of the investors. Therefore, the redemption of the principal of the investment in the Fund will not be guaranteed.

### **For Residents of Singapore**

This Memorandum is confidential. It is addressed solely to and for the person named above. Any offer or invitation in respect of Participating Shares is capable of acceptance only by such person and is not transferable. This Memorandum may not be distributed or given to any other person than the person named above and should be returned if such person decides not to purchase any Participating Shares. This Memorandum should not be reproduced, in whole or in part. The offer which is the subject of this information memorandum is not allowed to be made to the retail public. This information memorandum is not a prospectus as defined in the Securities and Futures Act. Accordingly, statutory liability under that Act in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

## **For U.S. Persons**

*Securities Act of 1933.* The Participating Shares have not been and will not be registered under the Securities Act. The Participating Shares are offered in the U.S. in reliance upon the exemption from registration under the Securities Act provided by Section 4(2) thereof and Regulation D promulgated thereunder. The Participating Shares are offered outside the U.S. in reliance upon the exemption from registration provided by Regulation S promulgated under the Securities Act. Each prospective U.S. purchaser must be an "accredited investor" (as defined in Regulation D) and will be required to represent, among other customary private placement representations, that it is acquiring the Participating Shares for its own account for investment purposes only and not with a view to resale or distribution.

There is no public market for the Participating Shares and no such market is expected to develop in the future. The Participating Shares may not be sold or transferred (i) except as permitted under the Memorandum and Articles and (ii) unless they are registered under the Securities Act and under any other applicable securities laws or an exemption from such registration thereunder is available.

*Investment Company Act of 1940.* The Fund will not be subject to the provisions of the Investment Company Act in reliance upon Section 3(c)(7) thereof. Section 3(c)(7) of the Investment Company Act requires that each prospective purchaser be a "qualified purchaser." A "qualified purchaser" includes a natural person who owns not less than US\$5.0 million in investments, a natural person or company, acting for its own account or the accounts of other qualified purchasers, that owns and invests on a discretionary basis not less than US\$25.0 million in investments and certain trusts. The Subscription Agreement will contain representations and restrictions on transfer designed to assure that the foregoing conditions are met. The Fund may seek to rely on the exemption from registration as an investment company provided by Section 3(c)(1) of the Investment Company Act, which limits the total number of beneficial owners of the Fund's securities to not more than 100. Reliance on the exemption provided by Section 3(c)(1) would allow the Fund to issue Participating Shares to institutional investors that would not otherwise meet the requirements of a "qualified purchaser" but would require additional disclosure from the investors regarding the beneficial ownership of their shares and restrictions intended to limit the number of beneficial owners to 100. Prospective investors will be required to provide information regarding the beneficial ownership of the Participating Shares that they desire to acquire in order to allow the Fund to determine whether the exemption provided by Section 3(c)(1) is available to it.

*Investment Advisers Act of 1940.* The Investment Advisor is not registered, and does not intend to register, as an investment adviser under the Advisers Act. Thus, prospective investors will not have the benefit of the significant investor protections offered by the Advisers Act. However, under certain conditions, changing circumstances, or changes in the law, the Investment Advisor may become subject to the Advisers Act or other burdensome regulations. The performance of Fund could be materially adversely affected, and the risk involved in the proposed investment could substantially increase, if the Investment Advisor becomes subject to the Advisers Act or other such legislation.

## APPENDIX B – INFORMATION ABOUT VIETNAM

### Geography of Vietnam

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Location:	Southeastern Asia, bordering the Gulf of Thailand, the Gulf of Tonkin, the South China Sea, China, Laos and Cambodia
Area:	<i>total:</i> 329,560 sq km <i>land:</i> 325,360 sq km <i>water:</i> 4,200 sq km Note: Vietnam extends 1,650 km north to south and the country is only 50 km across at its narrowest point
Land boundaries:	<i>total:</i> 4,639 km <i>border countries:</i> Cambodia 1,228 km, China 1,281 km, Laos 2,130 km
Coastline:	3,444 km (excludes islands)
Climate:	Tropical in south; monsoonal in north with hot, rainy season (mid-May to mid-September) and warm, dry season (mid-October to mid-March)
Terrain:	Low, flat delta in south and north; central highlands; hilly, mountainous in far north and northwest
Natural resources:	Phosphates, coal, manganese, bauxite, chromate, offshore oil and gas deposits, forests, hydropower
Land use:	<i>arable land:</i> 17.41% <i>permanent crops:</i> 4.71% <i>other:</i> 77.88% (1998 est.)
Irrigated land:	30,000 sq km (1998 est.)
Natural hazards:	Occasional typhoons (May to January) with extensive flooding, especially in the Mekong River delta

### Population of Vietnam

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Population:	84.155million (2006 est.)
Age structure:	<i>0-14 years:</i> 27.3% <i>15-64 years:</i> 65.7% <i>65 years and over:</i> 7% (2006 est.)
Population growth rate:	1.3% (2004 est.)
Birth rate:	19.58 births/1,000 population (2004 est.)
Death rate:	6.14 deaths/1,000 population (2004 est.)
Infant mortality rate:	<i>total:</i> 29.88 deaths/1,000 live births
Life expectancy at birth:	<i>total population:</i> 70.35 years <i>male:</i> 67.86 years <i>female:</i> 73.02 years (2004 est.)
Ethnic groups:	Vietnamese 85%-90%, Chinese, Hmong, Thai, Khmer, Cham, mountain groups
Religions:	Buddhist, Hoa Hao, Cao Dai, Christian (predominantly Roman Catholic, some Protestant), indigenous beliefs, Muslim
Languages:	Vietnamese (official), English (increasingly favored as a second language), some French, Chinese, and Khmer; mountain area languages (Mon-Khmer and Malayo-Polynesian)
Literacy:	<i>definition:</i> age 15 and over can read and write <i>total population:</i> 94% <i>male:</i> 95.8% <i>female:</i> 92.3% (2003 est.)

### Government of Vietnam

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Government type:	Communist state
Capital:	Hanoi
Administrative divisions:	59 provinces and 5 municipalities
Independence:	September 2, 1945 (from France)
National holiday:	Independence Day, September 2
Constitution:	April 15, 1992
Legal system:	Based on communist legal theory and French civil law system
Suffrage:	18 years of age; universal
Executive branch:	<i>Head of State:</i> President Nguyen Minh Triet (since June 25, 2006) <i>Elections:</i> The President is elected by the National Assembly from among its members for a five-year term; election last held in May 2007 . The Prime minister is appointed by the President from among the members of the National Assembly; Deputy Prime ministers are appointed by the Prime Minister <i>Head of Government:</i> Prime Minister Nguyen Tan Dung (since June 25, 2006); First Deputy Prime Minister Nguyen Sinh Hung (since June 25, 2006); Deputy Prime Ministers Hoang Trung Hai (since June 2007) and Nguyen Thien Nhan (since June 2007) <i>Cabinet:</i> The cabinet is appointed by the president on the proposal of the Prime Minister and ratification of the National Assembly
Legislative branch:	Unicameral National Assembly (498 seats; members elected by popular vote to serve five-year terms. Elections last held on May 19, 2007).
Judicial branch:	Supreme People's Court (The Chief Justice is elected for a five-year term by the National Assembly on the recommendation of the President)

## APPENDIX B-1

### GDP by Sector

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exchange rate (VND/US\$)	11,059	14,000	14,094	14,786	15,244	15,475	15,703	15,819	15,964
GDP per capita (US\$)	342	372	404	414	441	490	555	637	725
Nominal GDP (US\$ millions)	32,645	28,567	31,336	32,551	35,146	39,641	45,552	52,965	60,999
Agriculture*	8,416	7,266	7,688	7,565	8,094	8,936	9,934	11,066	12,445
Agriculture and forestry	7,367	6,362	6,630	6,354	6,760	7,377	8,184	9,020	10,049
Fisheries	1,049	904	1,058	1,211	1,334	1,559	1,750	2,046	2,396
Industry and construction	10,607	9,854	11,510	12,411	13,526	15,646	18,321	21,734	25,329
Industry	8,721	8,300	9,832	10,522	11,456	13,249	15,478	18,366	21,288
Construction	1,886	1,555	1,677	1,889	2,070	2,397	2,838	3,368	4,041
Services	13,622	11,447	12,138	12,574	13,525	15,059	17,302	20,166	23,255
Trade	5,044	4,242	4,458	4,585	4,960	5,383	6,177	7,192	8,318
Real Estate	1,599	1,304	1,360	1,460	1,604	1,763	1,994	2,125	2,305
Transport and telecom	1,273	1,110	1,230	1,314	1,384	1,598	1,936	2,316	2,745
Hotels and restaurants	1,122	958	1,018	1,042	1,125	1,194	1,425	1,854	2,247
Education	1,194	1,000	1,053	1,099	1,186	1,383	1,486	1,704	1,924
Health				434	463	573	691	785	883
Others	450	386	426	2,640	2,804	3,165	3,584	4,191	4,803

\* Total includes agriculture, forestry and fisheries

Source: Vietnam Economic Times Research

### Contribution to GDP

% of GDP	2003	2004	2005	2006
State	38	37	34	32
Non-State	25	27	29	30
Foreign Invested*	36	36	37	38

\* includes oil and gas sector

Source: Vietnam Economic Times Research

### FDI by Country (Top 10)

		Total to Nov 22, 2007		
Country or Territory	Projects	Total Capital <sup>(i)</sup>	Implemented Capital <sup>(i)</sup>	
1 Republic of Korea	1796	12,635	2,735	
2 Singapore	534	9,868	3,804	
3 Taiwan	1760	9,766	3,079	
4 Japan	918	8,898	4,988	
5 British Virgin Islands	329	6,941	1,376	
6 Hong Kong	443	5,723	2,161	
7 United States	367	2,631	752	
8 Netherland	84	2,592	2,027	
9 France	195	2,418	1,137	
10 Malaysia	236	1,860	1,084	

(i) In millions of U.S. Dollars

Source: Ministry of Planning and Investment

### Miscellaneous Indicators

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Population (million)	75.4	76.5	77.6	78.7	79.7	80.7	82.03	83.11	84.16
Population Density (people/sq km)	227.8	231.2	234.4	239.0	242.1	245.7	249.1	252.4	254.0
Life Expectancy (years)	68	71	n/a	68.2	n/a	n/a	71.2	71.3	n/a
Literacy Rate (%)	90	90	98	n/a	96	n/a	n/a	n/a	94.4
Unemployment Rate (%)	6.8	7.4	6.4	6.3	6.0	5.8	5.6	5.3	4.8
Hospitals and Clinics	1,944	1,857	1,771	1,770	1,754	1772	1737	1758	1750
Universities and Colleges	123	131	148	191	202	214	230	255	299
Telephones (million)	2.0	2.4	2.9	3.8	5.7	7.3	9.9	13.3	15.8
Telephones per 100 people	2.7	3.1	3.7	4.8	7.1	9.1	12.1	19.1	32.6
Human Development Index (UNDP ranking out of 174 countries)	108	110	108	110	109	109	112	108	109

Source: Vietnam Economic Times Research

**KEY EXPORTS**

<b>Item</b>	<b>Unit</b>	<b>2006</b>
Total	US\$ million	39,605
Domestic sector	US\$ million	16,740
FDI	US\$ million	22,865
Rubber	1,000 tonnes	697
Coffee	1,000 tonnes	897
Rice	1,000 tonnes	4,749
Tea	1,000 tonnes	105
Crude oil	1,000 tonnes	16,618
Coal	1,000 tonnes	29,783
Cashew nuts	US\$ million	505
Pepper	US\$ million	190
Vegetables	US\$ million	263
Marine products	US\$ million	3,364
Garments and textiles	US\$ million	5,802
Footwear	US\$ million	3,555

**KEY IMPORTS**

<b>Item</b>	<b>Unit</b>	<b>2006</b>
Total	US\$ million	44,410
Domestic sector	US\$ million	27,993
FDI	US\$ million	16,417
Steel	1,000 tonnes	5,624
<i>Steel billets</i>	<i>1,000 tonnes</i>	<i>1,988</i>
Fertiliser	1,000 tonnes	3,047
Petrol	1,000 tonnes	11,041
Yarn	1,000 tonnes	341
Cotton	1,000 tonnes	185
Vehicles	US\$ million	705
Chemicals	US\$ million	1,026
Pharmaceuticals	US\$ million	547
Plastic raw materials	US\$ million	1,846
Insecticide	US\$ million	299
Materials for clothing & shoes manufacture	US\$ million	1,959