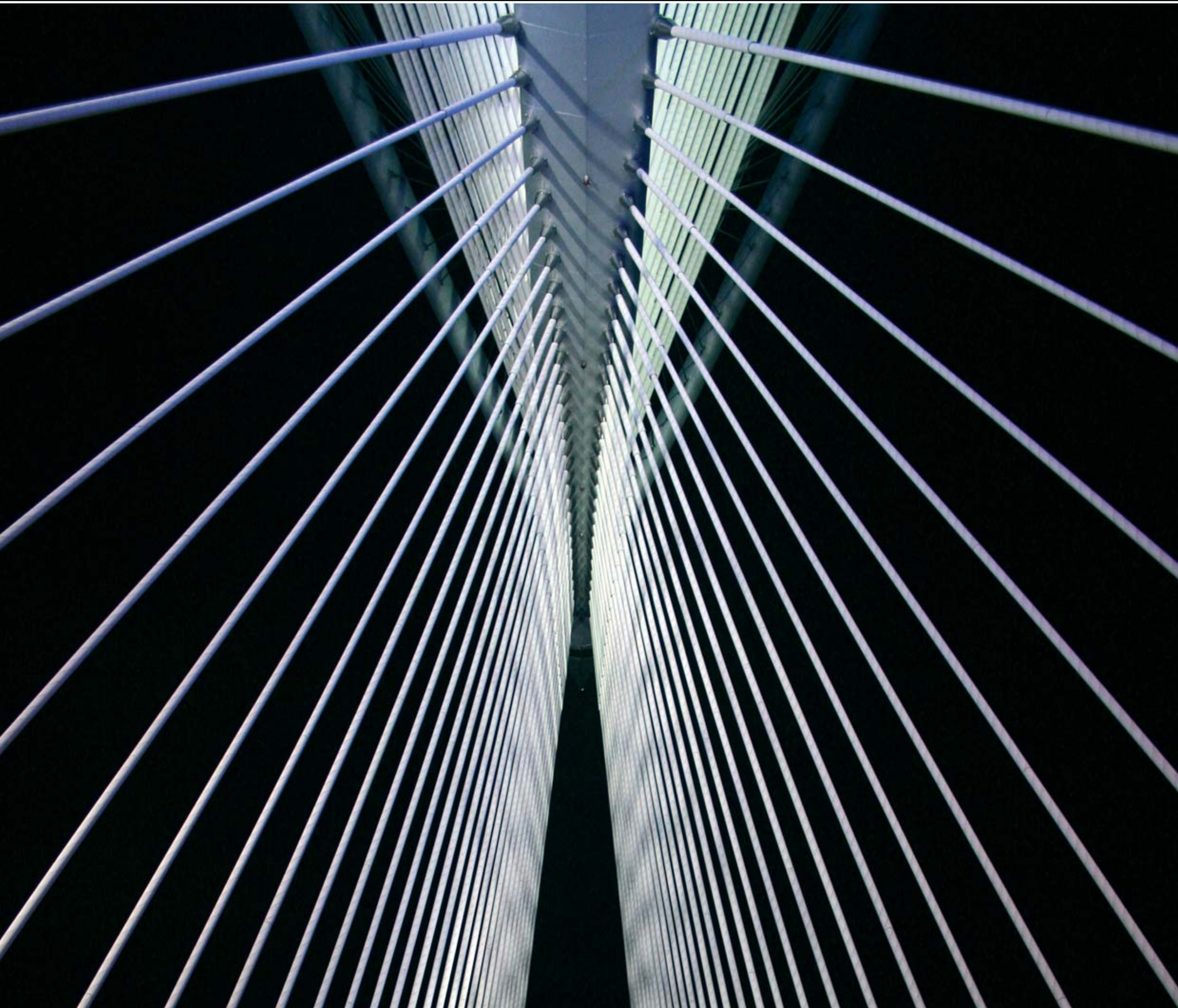
VIETNAM

ENTERPRISE
INVESTMENTS
LIMITED

ANNUAL REPORT 2006

EXPERIENCE - CREATIVITY - INTEGRITY



POLICY AND OBJECTIVES

Vietnam Enterprise Investments Limited (VEIL)'s objective is to achieve a balanced portfolio of investments in Vietnam giving rise to long term capital growth and capable of yielding recurrent earnings and capital gains. The fund is specifically structured to benefit from the Vietnamese stock market with more than 80% of its assets invested in listed companies or companies that are listing candidates.

CarbonNeutral® company

We are conscious of the effects we have on our environment and the positive difference we can make to our communities. It is of paramount importance to the company that we are not only conscious of this, but take action to do all we can to make a positive contribution. To help combat global warming, Dragon Capital has been Carbon Neutral since 2005.

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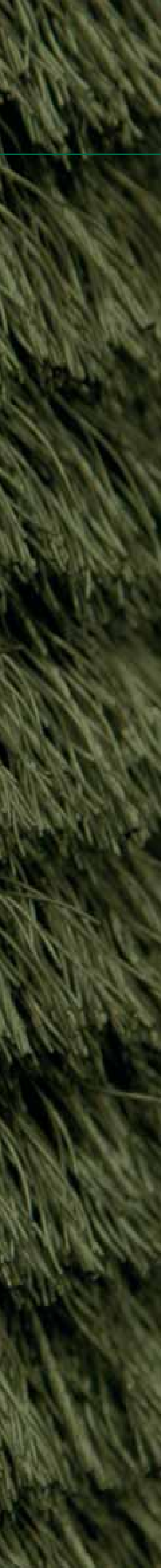
ANNUAL REPORT 2006

(Including audited consolidated financial statements for the year ended 31 December 2006)

dragoncapital.com

BOARD OF DIRECTORS



BOARD OF DIRECTORS

PETER WILLIAMS C.M.G.

Chairman and independent non-executive director

Mr. Williams, C.M.G. is a retired British diplomat and was an Ambassador to Vietnam between 1990 and 1997. His previous posts included Ambassador to P.D.R Yemen, Head of the U.K. delegation to the GATT in Geneva, Financial Attaché in New York and Head of the United Nations Department Foreign and Commonwealth Office. Resident in the U.K., he also acts as senior advisor to Dragon Capital, Prudential Corporation and Tate & Lyle on business in Vietnam. At the Annual General Meeting held on 28 December 2006, Mr. Williams C.M.G. retired from the Board in his capacity as Director and Chairman and did not offer himself for re-election.

RICHARD McKEGNEY

Independent non-executive director

Mr. McKegney is the head of the Asia Pacific region for the National Bank of Kuwait, based in Singapore. He is also a director of NIG Asian Investments Ltd., a wholly-owned investment vehicle of the bank which has been an investor in VEIL since its inception.

SIN FOONG WONG

Independent non-executive director

Mr. Wong is the International Finance Corporation ("IFC")'s Country Manager, Vietnam, Laos and Cambodia, East Asia and Pacific Department. He joined the IFC in 2001 and has led transactions in the Chemicals sector in India and China, and led the sector's first investments in Russia and Ukraine. Prior to joining IFC, Mr. Wong worked for 17 years in the finance function of a major oil company.

HARMUT GIESECKE

Independent non-executive director (Appointed on 25 January 2006)

Mr. Giesecke is Chairman of Capital Group's Japanese investment management subsidiary, Capital International K.K., and former Managing Director Asia-Pacific of Capital Group International Inc., the holding company of Capital's global investment business. He received a Master of Economics from Freiburg University, Germany, and an MBA from Columbia University Graduate Business School.

DOMINIC SCRIVEN O.B.E.

Non-executive director

Based in Vietnam, Mr. Scriven is a director and co-founder of the Dragon Capital Group Ltd. He represents VEIL on the boards of a number of its investments, namely two private banks and five listed companies. Mr. Scriven speaks Vietnamese and has resided in Vietnam for 15 years.

JOHN SHRIMPTON

Non-executive director

Based in Vietnam, Mr. Shrimpton is a director and co-founder of the Dragon Capital Group Ltd. He represents VEIL on the boards of a number of its investments, including property and software companies. Mr. Shrimpton has been resident in Asia for 20 years and in Vietnam for 10.

ADMINISTRATION

The shares of VEIL are listed on the Irish Stock Exchange. Price updates are available on Bloomberg (VIETNGF) and Reuters (VIET).

The Company

Vietnam Enterprise Investments Limited
Grand Pavilion Commercial Centre
Bougainvillea Way, 802 West Bay Road
Grand Cayman, Cayman Islands
British West Indies

Investment Manager

Enterprise Investment Management Limited
c/o Dragon Capital
1901 Me Linh Point
2 Ngo Duc Ke Street
District 1
Ho Chi Minh City
Vietnam

Administrator, Registrar and Secretary

Fortis Prime Fund Solutions (Cayman) Limited
Grand Pavilion Commercial Centre
802 West Bay Road
Grand Cayman, Cayman Islands
British West Indies

Sub-Administrator and Assistant Secretary

Fortis Prime Fund Solutions (Asia) Limited
28/F Fortis Bank Tower
77-79 Gloucester Road
Hong Kong

Custodian

Fortis Prime Fund Solutions Bank (Ireland) Limited
Plaza 2, Custom House Plaza
International Financial Services Centre
Dublin 1
Ireland

Sub Custodian

HSBC
The Metropolitan
235 Dong Khoi Street
District 1, Ho Chi Minh City
Vietnam

Legal Adviser to the Company

(as to Vietnamese law)
Freshfields Bruckhaus Deringer
17 Ngo Quyen, Unit 1, 5/F
Hanoi
Vietnam

Legal Adviser to the Company

(as to Cayman Islands law)
Charles Adams, Ritchie & Duckworth
PO Box 709 GT
Zephyr House, Mary Street
Grand Cayman, Cayman Islands
British West Indies

Dealing Enquiries

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Auditors

Ernst & Young
18th Floor,
Two International Finance Centre
8 Finance Street, Central
Hong Kong

Paying Agent

Custom House Administration and Corporate Service Limited
25 Eden Quay
Dublin 1
Ireland

Listing Sponsor

McCann FitzGerald Listing Services Limited
2 Harbourmaster Place
International Financial Services Centre
Dublin 1
Ireland

NAME ABBREVIATIONS

In this report, including the notes to the accounts, companies or securities are referred to by their short names as follows:

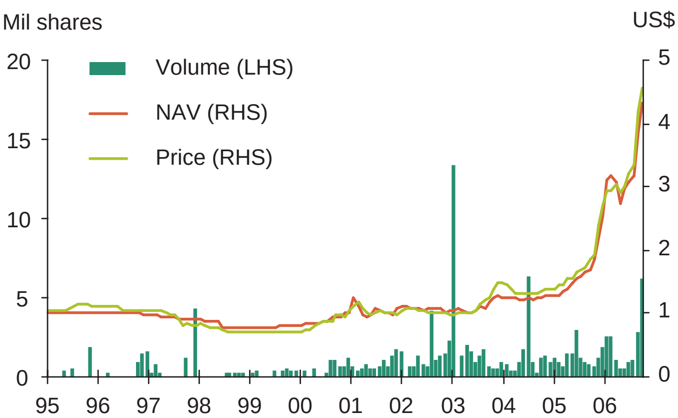
Full name	Short name	Industry
620-Chau Thoi Concrete Corporation	Concrete 620	Construction Materials
Agri-industrial and Development Rural Bank - Bond	Agribank Bond	Bonds
An Giang Fisheries Import and Export Joint Stock Company	Agifish	Agri-industries
Asia Commercial Joint Stock Bank	ACB	Banks
Asian Mineral Resources Limited	Asian Mineral Resources	Resources
Bank for Foreign Trade of Vietnam	Vietcombank	Banks
Bao Viet Security Joint Stock Company	Bao Viet Security	Non-bank Financial
Beta Vietnam Fund	Betafund	Investment Fund
Bien Hoa Sugar Joint Stock Co	Bien Hoa Sugar	Food/Beverages
Binh Minh Plastic Joint Stock Company	Binh Minh Plastics	Consumer Goods
Binh Thanh Import-Export Production and Trade Company	Gilimex	Commerce
Cables and Telecommunications Material Joint Stock Company	Sacom Cable	Telecoms
Chuong Duong Beverage Joint Stock Company	Chuong Duong	Food/Beverages
Danao Limited	Danao	Hotels
Duc Hanh Construction and Transportation Company Limited	Duc Hanh	Transport
General Forwarding and Agency Corporation	Gemadept	Transport
Glass Egg Digital Media Limited	Glass Egg	Software
Global Cybersoft Incorporation	Global Cybersoft	Software
Halong Canned Food Stock Company	Halong Canning	Agri-industries
Hanoi Beer Corporation	Hanoi Beer	Food/Beverages
Hanoi Lake View Sport Joint Venture Company	Hanoi Lake View	Property
HCMC Infrastructure Investment Joint Stock Company	CII	Infrastructure
Import - Export and Economic Co-operation Company	Savimex	Commerce
Investment Commerce Fisheries Corporation	Incomfish	Agri-industries
Keeper Resources Incorporated	Keeper Resources	Resources
Olympus Pacific Minerals Incorporation	Olympus Pacific	Resources
Pacific Ocean Shipping Joint Venture Company	Pacific Ocean	Transport
Pha Lai Thermo Power Plant	Pha Lai Power	Power
Phuong Nam Commercial Joint Stock Bank	Phuong Nam Bank	Banks
Project Design and Development Joint Venture Company Limited	PDD	Property
Qudos Asia Limited	Qudos	Property
Refrigeration Electrical Engineering Corporation	REE	Property
Saigon Beer Corporation	Saigon Beer	Food/Beverages
Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank	Banks
SilkRoad Systems Limited	SilkRoad	Software
Tay Ninh Rubber Joint Stock Company	Tay Ninh Rubber	Agri-industries
Thac Ba Hydro Power	Thac Ba Power	Power
Thang Long Cable Joint Stock Company	Thang Long	Telecoms
Thu Duc House Development Joint Stock Company	Thu Duc House	Property
Tiberon Minerals Limited	Tiberon	Resources
Togi Real Estate Joint Stock Company	Togi	Property
Transforwarding Warehousing Corporation	Transimex	Transport
Vedan International (Holdings) Limited	Vedan	Food/Beverages
Viet Trung Cement Corporation	Viet Trung	Construction Materials
Vietnam Commercial Joint Stock Bank for Private Enterprises	VP Bank	Banks
Vietnam Construction and Import - Export Corporation	Vinaconex	Construction Materials
Vietnam Dairy Products Joint Stock Company	Vinamilk	Food/beverage
Vietnam Dragon Fund Limited	VDF	Portfolio
Vietnam Government Bond 9.18% due 30/06/1018	G Bond 9.18% due 30/06/1018	Bonds
Vietnam Government Bond 9.7% due 26/09/2018	G Bond 9.7% due 26/09/1018	Bonds
Vietnam Growth Fund Limited	VGF	Investment Fund
Vietnam Industrial Investments Limited	VII	Construction Materials
Vietnam Investment Fund Singapore Limited	VIFS	Non-bank Financial
Vietnam Par Bond 3.75% due 12/03/2028	Par Bond 3.75% 12/03/2028	Bonds
Vietnam Securities Investment Fund - VF1	VF1	Investment Fund
Vietnam Securities Investment Fund - VF2	VF2	Investment Fund
Vietnam Tanker Joint Stock Company	Vitaco	Transport
Vinh Son-Song Hinh Hydropower Joint Stock Company	Vinh Son-Song Hinh	Power
Water and Environment Corporation	WACO	Infrastructure

SUMMARY OF AUDITED RESULTS - R SHARE

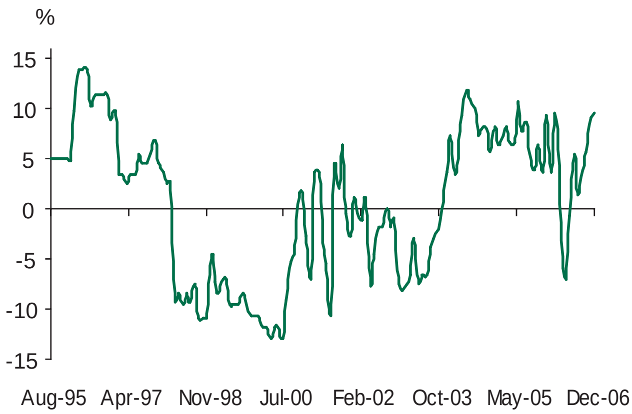
At 31 December	2006	2005	% Change
Total Net Assets	$519,609,873	$184,609,338	181%
Number of Outstanding Shares	119,990,000	109,090,000	10%
IFC Loan Drawdown	-	$4,000,000	(100%)
Share Price (mid-price)	$4.75	$1.85	157%
Net Asset Value per Share	$4.33	$1.69	156%
Premium/(Discount)	8.9%	9.5%	(6%)
USD/VND exchange rate	16,043	15,915	1%
VN Index	751.7	307.5	144%

Year to 31 December	2006		2005	
Year's high and low	**High**	**Low**	**High**	**Low**
Share price (mid-price)	$4.75	$1.93	$1.85	$1.33
Net Asset Value	$4.33	$1.86	$1.69	$1.24

VEIL Share price and NAV



Premium / Discount of price to NAV

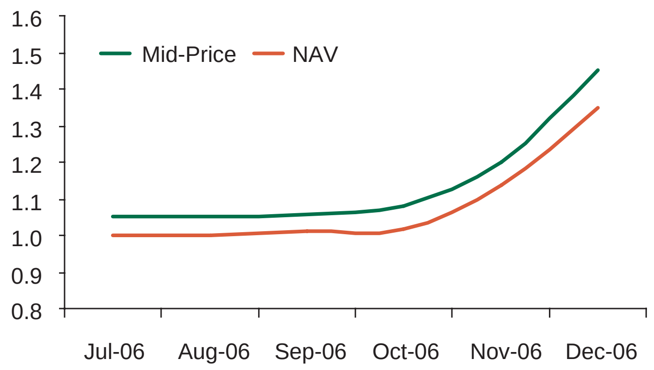


Source of income	2006	2005	% change
Dividend income	6,938,480	4,430,251	57%
Bond interest	328,543	618,609	(47%)
Other income	339,591	309,329	(58%)
Total	**7,606,614**	**5,358,189**	**42%**

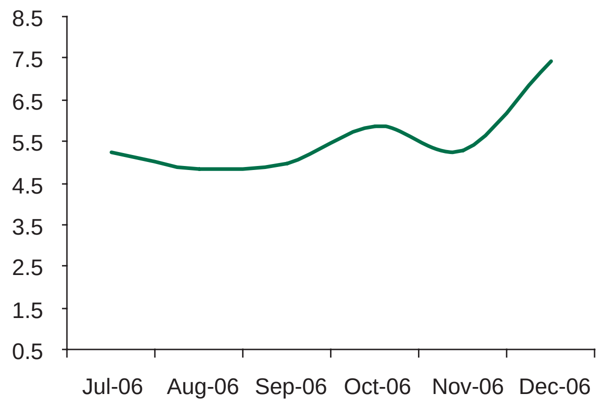
SUMMARY OF AUDITED RESULTS - C SHARE

At 31 December	2006	
Total Net Assets	$201,961,583	
Number of Outstanding Shares	150,000,000	
Share Price (mid-price)	$1.45	
Net Asset Value per Share	$1.35	
Premium/(Discount)	6.9%	
USD/VND exchange rate	16,043	
VN Index	751.7	
Year to 31 December	**2006**	
Year's high and low	**High**	**Low**
Share price (mid-price)	$1.45	$1.05
Net Asset Value	$1.35	$1.00

VEIL C Share price and NAV



Premium / Discount of price to NAV



Source of income	2006
Dividend income	175,649
Bond interest	314,772
Bank interest	1,921,271
Total	**2,411,692**

CHAIRMAN'S STATEMENT

"It is with great sadness that I have chosen to step down as the Chairman of VEIL; a position I have proudly held for nearly a decade, and one that I have always relished."

CHAIRMAN'S STATEMENT

Background

It has been a remarkable year for Vietnam, and one of excellence for VEIL. After an unprecedented period of market movement, I am delighted to report that VEIL has delivered commendably with its R Share Portfolio Net Asset Value per share up 156%, and the C Share Portfolio Net Asset Value per share up 35%. This undoubtedly reflects an unparalleled level of portfolio investment interest and supports my belief that VEIL has firmly established itself as the best positioned fund in Vietnam. Whilst the market moves that have produced this performance have essentially been domestically driven, there has been an underlying and unprecedented level of foreign portfolio interest, which has certainly served to heighten domestic investor interest. The Vietnam market has never been more attractive, given an increasing number of companies going public, strong economic growth and low foreign investor participation resulting in low correlation to global emerging market flows. At the heart of it all is a clear sense that 2006 was nothing less than a transformational year for Vietnam, and this extends from entry to the World Trade Organization ("WTO"), the important change in the country's political leadership, right through to capital markets development. 2006 marked the historical point when the equity market capitalisation of the formal listed market surpassed that of the Over the Counter ("OTC") market.

The closing R Share gain was an over-performance against the incredible 144% rise of the Index, undoubtedly due to the bank holdings within the portfolio, despite their recent tailing-off in the last quarter of the year. When comparing against the Index, consider also that the market action nowadays is focused on domestic listed stocks, and the Index is 100% composed of these, whereas VEIL's assets are approximately 65% in that sector versus 35% in OTC/off-shore/other. The reason why domestic listed stocks are suddenly so sought afterwards, particularly blue chips, is due to intense foreign interest accounting for almost half of turnover on some trading days. These market players generally want straightforward proxies for the official market (especially Investment Banks offering access products), with less interest in secondary names.

In this vein it is worth remarking how well VEIL performed despite only being 65% in the hot sector, which underlines how VEIL is over-weighted in blue chips. And as transfers from the OTC continue, they are positioned to benefit from the new fixation on formal-board names. The OTC will nonetheless see some exciting equitisations in the new year and the Investment Manager is eying the financial, infrastructure and beverage sectors with interest, hoping to find some measure of value. As regards the C Share portfolio, it was not fully invested at the year end, maintaining a moderate weighting in cash. The Investment Manager has been wary of the market's fickleness and susceptibility to reversal, therefore electing to reserve a cash position ready to strike on lower prices and the hail of equitisations expected in early 2007.

Revenues and Dividend

Gross combined portfolio revenues during the financial year were $10,018,306, principally due to strong income streams from dividends and bank interest. With regard to 2005, the Directors' decision not to pay a dividend was sanctioned at the Annual General Meeting held on the 28 December 2006.

CHAIRMAN'S STATEMENT

Investments

The combined investments of both the Ordinary and Conversion shares were valued at $693,952,591 at 31 December 2006. The notes to the accounts show the basis on which investments are valued. A summary listing of the Company's investments for both the R and C portfolios is provided on pages 26 to 31. A more detailed portfolio listing can be found in the notes to the financial statements on pages 56 to 62. Backed by significant levels of announced privatisation, expansion by existing portfolio companies and a raft of new private sector opportunities, VEIL's investment pipeline looks very promising indeed. There were two capital raisings during the year for the C Shares, issuing 120,000,000 and then a further 30,000,000 at $1.00 per share. On 21 December 2006, the Company issued 10,900,000 R shares at $4.16 per share. The capital raising combined provided VEIL with approximately $195m in fresh funds and as we head into the first quarter of 2007, the Investment Manager is well placed to participate in the continuing equitisation process, where we anticipate good value for growth, if not classic value in the form of very low multiples.

The Board

This represents the first full reporting period of operations for the current board, following the changes in 2005. It has been with great pleasure that I have come to share this role with such experienced industry professionals who bring a wealth of knowledge and insight to the helm of VEIL. It is with great sadness that I have chosen to step down as the Chairman of VEIL; a position which I have proudly held for nearly a decade, and one that I have always relished. My interest as both an investor and a supporter remains steadfast, and having covered great grounds during 2006, I am confident in the current Board's ability to maintain its focus and drive in the continued aegis of VEIL. I offer my successor every best wish in the months ahead.

Management

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis and a formal review is conducted annually. As part of this review, the Board considered the quality and continuity of the personnel assigned to handle the Company's affairs, the investment process and the result achieved to date. The Directors believe that the Manager has the resources and ability to deliver the results which they seek, within the risk parameters which have been agreed within them. In addition, the Directors have expressed their satisfaction with the quality of the administrative and other services provided by the Administrator.

Annual General Meeting

A resolution to authorise the Board to issue additional Redeemable Shares of the Company having an aggregate nominal value of up to 10% of the aggregate nominal value of the Redeemable Shares in issue at the time of the AGM, was sought and received at the offices of Fortis Prime Fund Solutions (Cayman) Limited, Grand Pavilion Commercial Centre, 802 West Bay Road, Grand Cayman, Cayman Islands, British West Indies on Thursday, 28 December 2006 at 3.30pm.

Outlook

The dust is settling on the best year in Vietnam's financial history. And now thought must turn, not just to 2007, but to 2010 and the balance of this government's term in office. Within Vietnam, there is a high degree of awareness that global integration is bringing steep challenges, the exact nature of which some may not yet fully envisage. This is a helpful balance to equally high levels of enthusiasm, perhaps verging on exuberance; and will strengthen a national resolve to deliver on raised expectations. The investment environment has become both more complex, and more diversified, bringing both opportunities and challenges for VEIL. Our strategy is evolving to this environment, with a more mature consideration of the sectors, companies, and valuations that will support, and thrive at the sharp end of Vietnam's growth dynamic. Alongside this, the Investment Manager is now giving thought to the possibilities for value creation wherever they occur, such as in structuring, streamlining, and cost saving. Your investment manager has doubled its investment team in the past 12 months, bringing depth, breadth, and international experience to bear, and I am confident that your fund will benefit from this combination.

Peter Williams C.M.G.
Chairman
Vietnam Enterprise Investments Limited
26 April 2007

GOVERNANCE

Compliance

The Company recognises the need for high standards of corporate governance. The Board is responsible for ensuring the appropriate level of corporate governance and will continue to work towards complying with the provisions of appropriate codes that it views most appropriate to the Company and its unique operational environment.

Role of the Board

A management agreement between the Company and Enterprise Investment Management Limited sets out the matters over which the Manager has authority. This includes management of the Company's assets and the provision of accounting, company secretarial, administration and marketing services. All other matters are reserved for the approval of the Board, including the determination and monitoring of the Company's investment objectives and policy and its future strategic direction, management of the capital structure, appointment and removal of third party service providers, review of key investment and financial data and the Company's corporate governance and risk control arrangements.

The Board meets at least bi-annually and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities. Directors may take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Fortis Prime Fund Solutions (Cayman) Limited, which is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed.

	31/03/2006	28/07/2006
Peter Williams	√	√
Richard McKegney	√	√
Sin Foong Wong	√	√
Harmut Giesecke	√	√
Dominic Scriven	√	√
John Shrimpton	√	√

Key

√ In attendance

Board Composition

The Board consists of four independent non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman. The Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details on each Director are set out on page 3. The current Board is deemed to comply with the guidelines determined, and reflecting the skills and requirements considered necessary to carry the Company forward.

Tenure

Independent non-executive directors are initially appointed until the following Annual General Meeting when, under the Company's Articles of Association, it is required that they be elected by shareholders. Thereafter they may stand for re-election on an annual basis. A representative of the International Finance Corporation (IFC) sits on the board at all times, under the IFC's investment agreement with the Company. The Board does not believe that the length of services in itself necessarily disqualifies a Director from seeking re-election but, when making a recommendation, the Board will take into account the ongoing requirements of the Company, including the need to refresh the Board.

To deal with the appointment of Directors, VEIL established a Nomination Committee in 2006 which has been chaired by Richard McKegney, with Peter Williams as an additional member. The terms and conditions of Director's appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office and the Annual General Meeting. To deal with valuation and conflict issues, the Company

has appointed a committee for this purpose, which is comprised of all independent Board Members. The Investment Manager routinely reports to this Committee, all transactions and issues involving related parties. As at the year end there were no issues of substance, and a consensus on opinion relating to all investments was held.

Relations with Shareholders

The Board regularly monitors the shareholder profile of the Company. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the Annual Report & Accounts and the Interim Report. This is supplemented by monthly reports of the net asset value of the Company's shares.

All shareholders have the opportunity, and are encouraged, to attend the Company's Annual General Meeting at which the Directors and representatives of the Manager are normally available in person to meet with and answer shareholders' questions. During the year, the Investment Manager will hold regular discussions with larger shareholders. The Directors are made fully aware of their views. The Chairman and Directors make themselves available as and when required to address shareholder queries.

The Company's Annual Report and Accounts is published in time to give shareholders generous notice of the Annual General Meeting. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Administrator at the address shown on page 4.

Corporate Governance and Socially Responsible Investment

VEIL is committed to delivering superior investment performance to its clients worldwide. We understand that one of the drivers of investment performance is an assessment of the corporate governance principles and practises of the companies in which we invest our clients' assets and we expect and support those companies to demonstrate high standards of governance in the management of their business.

We believe it is our primary duty to act in the best financial interests of our clients and to achieve good financial returns consistent with an acceptable level of risk in the management of our clients' investments. A company run in the long-term interests of its shareholders with the objective of enhancing shareholder value over time will need to manage effectively relationships with its employees, suppliers and customers, to behave ethically and to have regard to the environment and society as a whole. In our pursuit of good financial returns for our clients, our Investment Manager takes account of these and all other factors affecting the valuation of the companies in which they are currently invested or considering investment on behalf of clients. The Investment Manager has incorporated an Environment Management System into its investment process since 2003.

Voting Policy

Proxy voting is an important part of the corporate governance process, and we view seriously our obligation to manage the voting rights of the shares entrusted to us as we would manage any other asset. Consequently, votes are cast both diligently and prudently, based on our reasonable judgment of what will best serve the financial considerations of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested. In order to do this, we agree our stance on a variety of key corporate governance issues, including disclosure and transparency, board composition, committee structure, director independence, auditor rotation and social and environmental issues. These guidelines form the basis of our proxy voting decisions, although they are equally cast on a case-by-case basis, taking into account the individual circumstances of each vote.

INVESTMENT MANAGER'S REPORT

INVESTMENT MANAGER’S REPORT

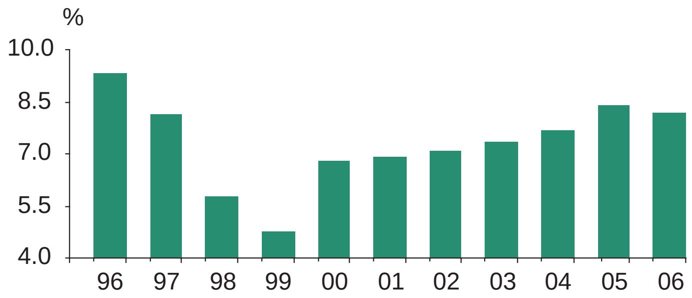
THE ECONOMY

Overview

The year 2006 was transformational for Vietnam. At the same time as consolidating its consistent record of 7.5-8.0% GDP growth, the country installed a second-generation reformist government, and entered on the world stage with its achievement of World Trade Organization (“WTO”) membership. These factors registered explosively in stock market performance that surpassed the most bullish expectations anyone had ever entertained, with the Vietnam Index (“VNI”) up 144% at 752. Our funds tracked this nicely. The net asset value of VEIL “R”, our long-established flagship vehicle, rose 156%. We believe that the 2007-08 outlook for the country and our funds is for more breakthroughs.

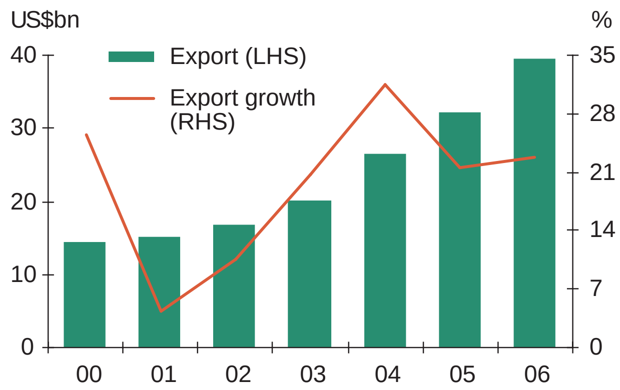
Economy in 2006: Annus Mirabilis

GDP Growth, 1996-2006



Observers are by now used to seeing the economy sizzle, based on a combination of export growth, Foreign Direct Investment (“FDI”) flows, surging domestic consumption and ever-higher industrial production. That has been the direct result of the commitment to reform. The pattern continued in 2006 as GDP hit 8.2%. This was lower than we forecast, but due mostly to circumstances beyond Vietnam’s control – principally drought and typhoons domestically, and heightened protectionism abroad. This stellar performance has been achieved without any major economic dislocations.

Exports, 2000-2006



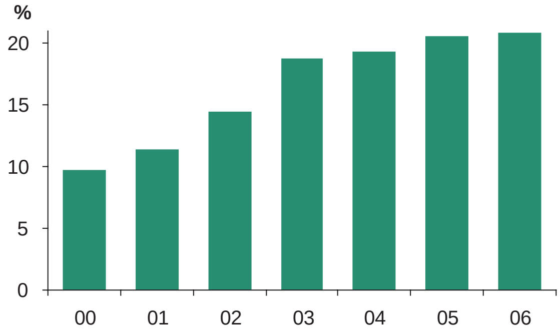
Vietnam’s exports are a balanced mix of energy products, light manufactured goods, and agricultural commodities. Heavy industrial items are absent – thankfully. Government developmental policy has confined itself to promoting comparative advantages, and white-elephant import substitution policies have also been eschewed.

INVESTMENT MANAGER'S REPORT

THE ECONOMY

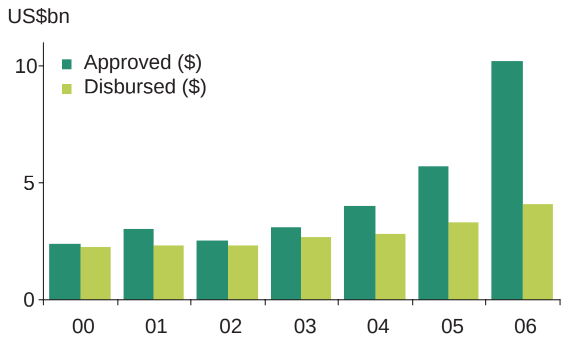
Economy in 2006: Annus Mirabilis (cont.)

Retail Sales Growth, 2000-2006



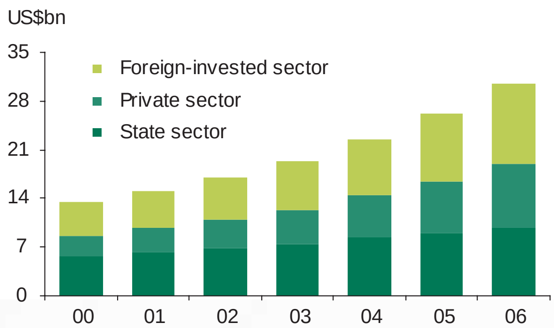
Burgeoning domestic consumption continues to power retail sales growth, which has been up 12-13% in real terms for several years running. Commerce is the biggest category, at 80% of the total and rising a nominal 20%, but hotels, tourism and services have been the strongest gainers, at 30%-plus.

FDI Approvals, 2000-2006



Record 2006 FDI approvals of $10.4bn exceeded the $6.5bn target. Flows have centred on industry, tech, property and tourism. The main investors are South Korea, HK/China, the US and Japan. FDI is powered by cheap skilled labour, the good investment environment and WTO entry. Notable 2006 projects were POSCO's $1.1bn steel plant and Intel's $1bn test and assembly factory in Ho Chi Minh City. Meanwhile, players like Canon, Panasonic and Yamaha Motor added to existing commitments. Disbursements look a lot lower than pledges, but the momentum from 2005-06 should be reflected in 2007-08. (Source: GSO)

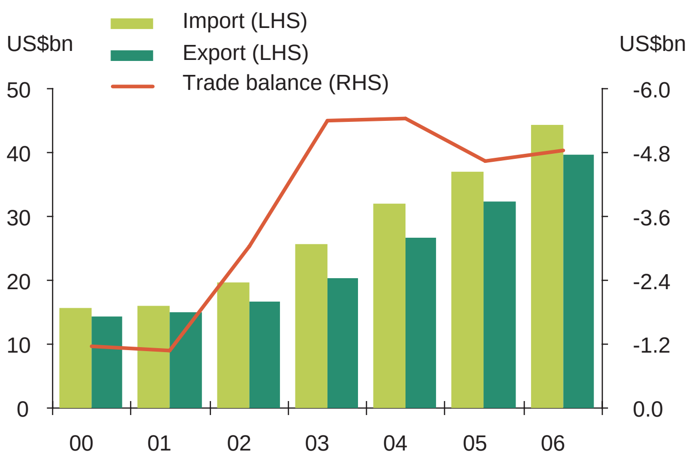
Industrial Production, 2000-2006



Industrial production has grown around 17% pa, led by energy and light manufacturing. The most interesting thing about the statistics, though, is how stagnant the State component of IP remains (bearing in mind that energy is Government-owned but MNC-operated). At a constant $7-8bn it continues to shrink relative to the private and foreign sectors, which are dynamically expanding all the time (led, ex-energy, by garments, footwear and agrifisheries). The State's decline from 45% of IP in 2000 to barely 30% in 2006 dramatically underscores its progressive withdrawal from the economy and its diminishing role in growth. (Source: GSO)

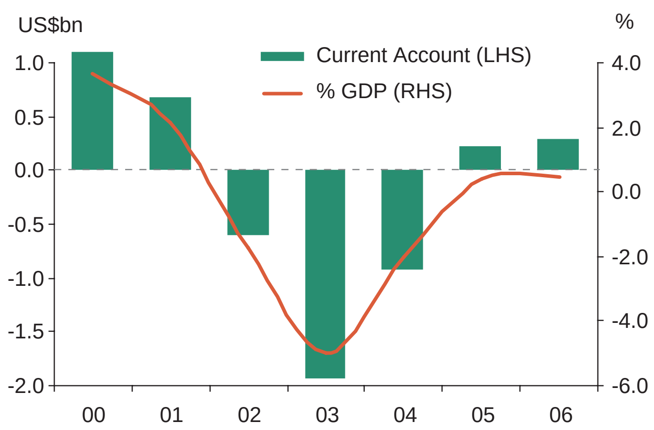
Economy in 2006: Annus Mirabilis (cont.)

Trade Account, 2000-2006



The deficit hardly moved in 2006, but if it did not exist it would have to be created, stemming as it does from machinery imports that are needed both to keep exports humming, and to build a production base that meets more of domestic demand from home sources.

Current Account, 2000-2006



The deficit, always modest relative to GDP, has now reverted to a surplus, and this is further supplemented by a major capital-account surplus that is FDI-led. Together these items saw a 2006 BoP surplus of $7bn - before inclusion of an easy $2bn in unrecorded Viet Kieu flows.

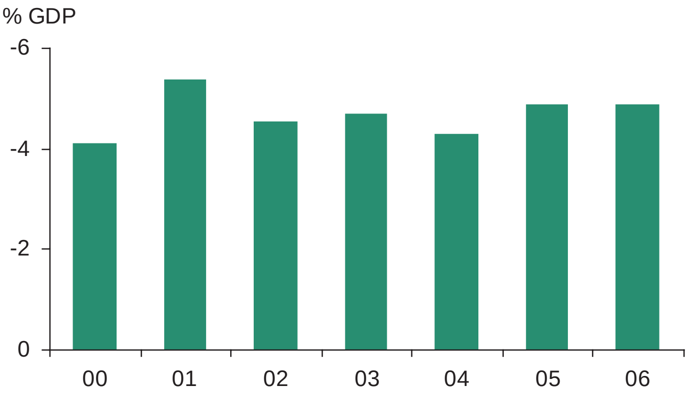
The flat trade deficit is a declining percentage of GDP, and is now being absorbed by official transfers into a re-emerging current account surplus. Sovereign and domestic debt are tiny in macro terms and so too is the fiscal deficit.

THE ECONOMY

Economy in 2006: Annus Mirabilis (cont.)

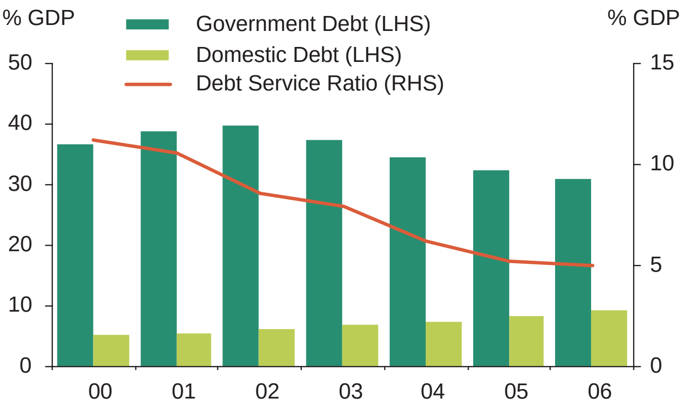
The fiscal deficit is not especially small relative to the size of the economy but it is certainly manageable and is likely to start tapering off soon. A case can be made that in a country developing so rapidly from such a low base, the Government could stand to open the numbers up a bit to ensure that infrastructure is delivered on time and that the economy doesn't unduly overheat, i.e. a bit higher than 2006 with lower revenue from import tax and crude oil but higher spending investments. The one blot in the copybook has been inflation, nowadays running at ca 6.5%. In part inflation has been externally imposed by the commodity boom, which has affected Vietnam through its dependence on imports. More importantly, natural calamities – SARS, bird flu, foot-and-mouth disease, droughts succeeded by typhoons – have hit food prices. These have a disproportionate effect on the Consumer Price Index ("CPI") because they are 43% of the consumer goods basket.

Fiscal Deficit/GDP, 2000-2006



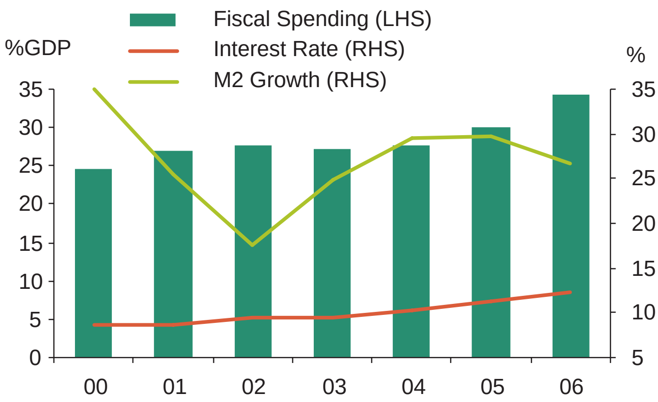
Since 2002 the fiscal deficit has been a tiny 1.5 to 2.0% or so. The Government actually sets a higher target of ca 4%, but never implements enough spending to get there, which proves the point about non-aggressive budget policies. This actually leaves a nice cushion for possible peaking of energy revenues, as oil prices and production decline. But infrastructure spending still needs to increase and finances could afford the double hit if necessary. (Source: ADB, EIU)

Debt/GDP, 2000-2006



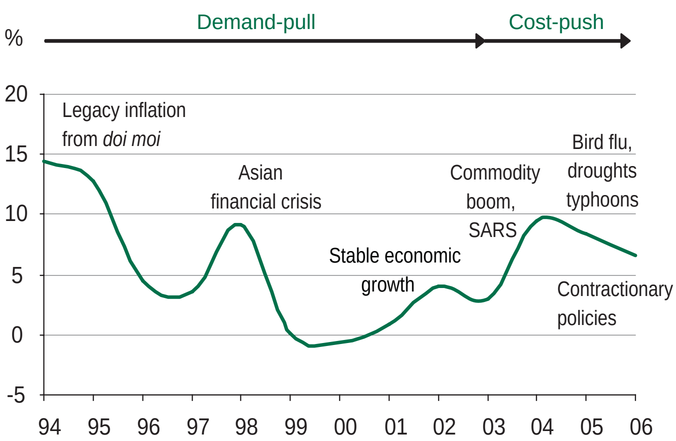
Vietnam's sovereign debt/GDP level of 32% is below the Philippines' 65% and Indonesia's 40%, and on par with Thailand's 32% (the "PITs"). Vietnam's 5% debt service ratio is less than half of those countries. Public debt/GDP is low by any standards. With lower macro political risk in Vietnam than in the PITS, why the higher rates? Most economists would agree that borrowings could safely be expanded as developmental policy evolves. (Source: IMF, GSO)

Fiscal/Monetary, 2000-2006



Budget spending has been an average 30% of GDP for some years now, which is not exactly spendthrift. The other thrust of financial discipline has been to squeeze M2 down to a pace that is probably below the optimum level for macro growth. Consequently lending rates are high. (Source: ADB, EIU)

Inflation, 1994-2006



The Government had actually knocked the CPI down to 3-4% by the mid-1990s; following a run of hyper-inflation after *doi moi* was launched. Classic monetary/fiscal rectitude was the means. The CPI stayed at 3-4% or lower until 2004, when external factors intervened. (Source: IMF, GSO)

THE ECONOMY

Economy in 2006: Annus Mirabilis (cont.)

Whether or not that weighting is appropriate, the simple point is that inflation is not the result of "bad policy" but of exogenous cost-push forces. The Government is probably not too worried about inflation but does try to control budget spending and maintain a tight monetary policy, which has laid the base for a regime of high interest rates, now hovering at 12.0-12.5%. As external forces subside – which they seem to be doing now – the CPI has some scope to follow. But even so the country's equilibrium rate is probably no lower than 4-5%, given the rapid pace of growth and the bottlenecks it is bound to create. Some controversy also surrounds currency management. The Dong is clearly being held down by Government intervention for the benefit of the trade sector. Given the strong external accounts and high interest rates, it makes no sense that the unit is actually depreciating by 1.0-1.5% pa. Left to its own devices, it would revalue. But we suspect Vietnam will be able to fly under the radar of the Renminbi for some time, and in any case, a more indulgent view will be taken of the country while it is still in its early-development phase.

Vietnam's increasing stature as a serious member of the world economic community was flagged throughout the year by various developments, starting with intensified broker coverage of the country from February, the Euro-Money conference in March, and the one-notch credit upgrades from S&P Moody in September, which rightly placed Vietnam higher than the Philippines and Indonesia. Then came the crowning achievements: hosting of the APEC conference and the granting of WTO membership, both in November. If people had heard that Vietnam was *the* hot emerging nation for 2006, these latter events proved it. And WTO will be key to ensuring that the country stays on its reform-led growth trajectory.

Economy in 2007-08: Risks and Opportunities

The big risk going forward is delivery of infrastructure. We are not concerned about Government policy shifts. But infrastructure is the big unknown that at some point could undermine growth and, no less importantly, investor sentiment. Vietnam is still woefully under-supplied with electricity, transport, water, housing, international-grade tourist services, commercial and office complexes, certain types of telecommunications, etc. These are needed to sustain economic development. Budget spending on these items, at 14% of the total, could afford to be higher. Just-in-time provision of infrastructure has been a partial solution so far (container ports), but it is hardly guaranteed to work forever (power). If the country's yawning infrastructure gaps are not seen to, the Vietnam story may come under pressure. But if the challenges can be met we would be very confident about the following forecasts being achieved:

	Unit	2006	2007	2008	Comment
GDP Growth	%	8.2	8.4	8.6	GDP will continue to be fired by the expansion of trade, FDI-led investment and booming domestic demand, and the effect will be amplified by WTO membership.
Trade Account	$bn	-4.8	-4.7	-4	Under WTO, imports will no doubt increase because of tariffs cuts, but some have already happened under other free-trade agreements like AFTA. WTO will help exports more than imports, since new markets will be opened up at the same time as existing ones carry on growing.
Current Account	$m %GDP	250 0.4	500 0.8	1200 1.5	A flattish trade deficit, plus higher remittance flows from overseas workers and Viet Kieu, will push the official current-account surplus continually up. Inclusion of informal Viet Kieu transfers would drive the tally even higher.
Retail Sales	%	19.6	21.5	21.8	Retail sales will keep motoring on the back of higher incomes, liberalised imports and the tourism wave.
Industrial Production	%	17	17.5	17.9	Strong IP growth is inseparable from surging exports and rising domestic demand, and the means of production being furnished by ever-increasing FDI.
FDI Approvals	$bn %GDP	10.2 17.0	12.5 18.8	14.0 18.2	FDI can hardly help but grow, attracted by the work force that is young, educated and skilled, and costs almost nothing. Vietnam's profound political stability and ongoing economic reform policies are the other irresistible draws.
FDI Disbursements	$m	4.1	7.5	9.5	More openness, improved legal frameworks and simplified investment procedures – all in line with WTO – will facilitate quicker FDI disbursements.
Fiscal Balance	%	2.0	2.5	3.0	Falling oil prices and production may widen the fiscal gap, but that's affordable. If accelerated infrastructure spending took the red ink even higher, this would not be a bad thing.
Inflation	%	6.6	6.2	5.6	Flattening commodity and (hopefully) food prices, plus WTO-spurred tariff cuts, will crimp inflation. But administrative price decontrol will slow progress towards the equilibrium 4-5% rate.
Currency	US$1	16,050	16,300	16,500	No change foreseen in the present regime.

(Source: HSBC, ADB, IMF, SBV, GSO)

Reform Drives Growth

The driving force behind Vietnam's amazing macro performance has been the sustained commitment to reform, which began in 1986 with the *doi moi* initiatives, and has carried on ever since. The prevailing regime grasped some time ago that there is only one way to accommodate Vietnam's baby-boom demographics (which include 1.5% population growth, two-thirds of the country being under the age of 30, and 1.5m new workers entering the labor force annually). This is a high-growth market economy, led by de-regulation and privatisation. And the Government has consistently delivered this. Perhaps the best measure of what's been accomplished is the fact that the State now only accounts for 3.5% of the total number of businesses in the country and it employs only 19% of the workforce. But even with its small number of remaining companies, the State still controls about 55% of total capital employed in Vietnam, since the SOEs it has kept in its stable are all giant firms. So there is much to be done yet on reform.

Impressively, therefore, the reform process was taken to a higher level in 2006. The Five-Year Party Congress was convened in April and it installed a government that ushered in a new generation of technocrats. These officials, at the ministerial levels, are middle-aged individuals with technical backgrounds and overseas education, and a keen understanding of developmental policies. Two of the top three power positions – the Presidency and the Premiership – went to Southerners, representing the country's economic and financial hub, while a Northerner held on to the Party Secretary job. This completely broke the tradition of reserving a heavyweight slot for each region of the country, including the central provinces, and the South was a winner here, even if some new cheques and balances were put in place (e.g., most Deputy Prime Ministers are Northerners). Government itself was made more democratic and accountable too. Age limits for Ministers were imposed, National Assembly debates on government performance were televised, and plans were drawn up for a general election in 2007, with possible diversification of non-Party membership beyond the current 25% of Members of Parliament.

With these changes, Vietnam now has an ideal government for leading it into the modern era. We expect steady progress on economic liberalisation. We believe that reform is more or less entrenched since demographic pressures would make backsliding a very dicey proposition for the Party and there is also such a tailwind of positive reinforcement from the international community – including, of course, investors.

THE STOCKMARKET

2006 and Beyond

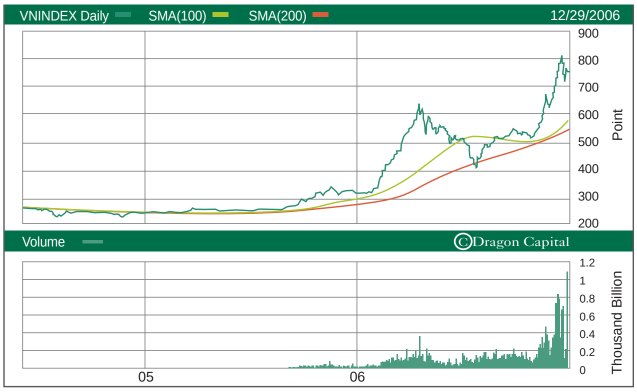
The market was on a tear throughout 2006. The concept of equity investment caught fire with locals, while both domestic and international funds raised ever-increasing amounts of capital, and global investment banks poured in with P-note and basket-note access products.

In the final quarter of the year, a rash of equitisations and new listings took place in response to decrees that, as of 31 December, terminated tax incentives for stock-market participation. A number of medium-sized SOEs went public (Vinaconnex, Dong Phu Rubber, Tay Ninh Rubber, various Petro Vietnam subsidiaries), while dozens of names transferred from the OTC to the formal boards (notably FPT, Asia Commercial Bank, SSI, Bao Viet Securities, Bao Minh Insurance, Itaco, Sudico). This greatly expanded the size of the market, to $19-20bn including the OTC, and also pumped up trading volumes to an average $30m/day in December, with as much as $70m done in some sessions. This confirmed the foreign interest, which on some days was half of turnover. By that stage, however, the surge was more about liquidity, and less about value. Especially as corporates could hardly resist the opportunity to accelerate capital-raisings, so there was dilution to further aggravate the multiples. As EPS growth went way down – and finally into negative territory – the Price to Earnings Ratio ("PER") went way up.

But even if the market has become a wall-of-money event, the forward ratings are acceptable in terms of Growth at a Reasonable Price (GARP). Dilution should decrease in 2007, and this will allow earnings growth — very robust in its own right — to come through more fully. We see Earnings Per Share of +24% against a PER of 23x. That is Price to Earnings Growth of 1.0x and it would allow for upside during the year, depending on how the capital-raising cycle pans out. But one could hardly argue that value existed. This poses the excruciating dilemma for fund managers that liquidity moves always do: should one buy stocks which are cheap, or ones which are going up?

In turn that begs the question of what demand/supply looks like in 2007. On the immediate demand front, international and local funds seem to have about $2bn of fresh money to invest. Against that, quite a few SOEs are scheduled to equitise brewers HABECO and SABECO, fertiliser manufacturer Phu My, top insurance group Bao Viet, cellular oligopolist Mobifone, the major commercial banks VCB and Mekong Housing, power generators and distributors, and miscellaneous smaller firms. Combined with corporate actions, fresh market cap being brought on stream could amount to $13-14bn. The incremental free float would be a fraction of that, but, including OTC transfers, could still come to ca $4bn-plus.

29-Dec-06	2004	2005	2006F	2007F	2008F
P/E (x)	30.0	28.2	29.1	23.4	20.4
EPS growth (%)	12.9	6.5	-3.3	24.4	14.9
PEG (x)	2.3	4.3	neg	1.0	1.4
NPAT growth (%)		37.6	39.3	42.1	23.0
Revenue growth (%)		43.0	25.5	25.5	21.2
P/BV (x)	6.6	5.3	6.5	5.7	5.2
Yield (%)	1.4	1.3	1.4	1.7	1.7
ROE (%)	24.2	23.9	38.1	27.5	27.6
Listed companies	28	51	195	300+	400+



(Source: Dragon Capital, ADB, IMF, SBV, GSO)

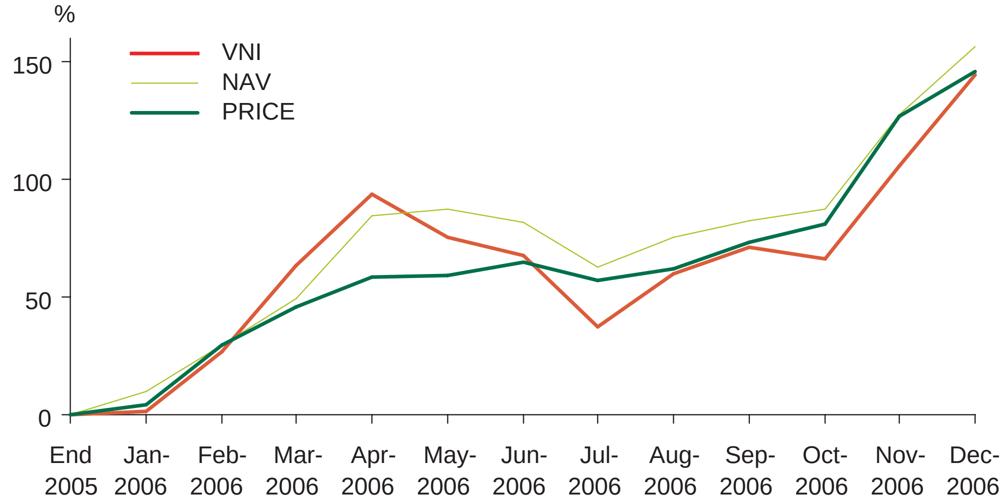
Note: market present and forward valuation apply only to stocks currently listed on HCMC and Hanoi STCs, including dilution from secondary issues. NPAT and revenue growth figures are like-to-like. Market chart is HCMC only.

Yet not all the supply may materialise, and it may be very back-end-loaded. Local funds may well gather more money from domestic investors as Balance of Payment ("BoP") surpluses flow, and that same factor will probably fuel ongoing excesses by retail punters in their own right. Foreign access products may expand too, now that there is an element of size, and especially with the Government talking about a removal of limits. We expect to see bullishness continue into 1Q07, and only encounter serious resistance later on.

THE FUND

Years do not get much better than 2006. VEIL had an exceptional year off the back of a blistering hot bull market throughout the year, which did not let up until the final bell - December contributed to the drama with a 19% index increase finale, and a huge raft of new listings as the axe fell on the listing tax incentive. The key driver of this surge in market interest has been the wave of new Vietnam-dedicated funds created by offshore and new onshore managers – and the enthusiastic reception this had from other retail investors here. The first structured notes also played a role in boosting select groups of stocks in response to ballistic external demand. VEIL R managed to outpace the Index (and rank as a top global performing country fund) thanks to the performance baton being firmly in the grasp of the bank holdings throughout the year, only beginning the wane in the final quarter. The C Share Portfolio Net Asset Value per share was up a satisfying 35%.

VEIL-R Performance, 2006



Whilst VEIL may have outperformed the Index, we would generally advise caution when making such comparisons against an Index which is entirely focused on HCMC, a mere 55-60% of the combined HCMC, Hanoi and OTC exchanges. The Index is also entirely composed of listed equities, and has shown to be where investors chose to target the preponderance of their buying towards the end of 2006, versus VEIL R's 86%, and VEIL C's 69% weighting in listed equities, the remainder (excluding cash positions) being in overseas equities and OTC investments. That said; we anticipate moves in the OTC holdings over to the formal market during 2007, which leaves us well positioned for the months ahead. Riding this bull market also helped smooth the portfolio rationalisation targets set last year. Investments whose values had become stagnant, with no decent exit available were finally transferred at a premium without causing a hiccup in the exchange. The C shares are 72% invested. We had hoped to subscribe to several equitisations taking place towards the end of the year, but prices were fleeting beyond anything resembling reasonable valuations, with only a portion of the liquidity being pushed in that direction.

This has indisputably been the best year in Vietnam's financial history, but the Country's new found global integrations carries uncertainty as well as opportunity, to the extent that our focus and success going forward, will be driven more than ever by the construction of the fund through our assessment of sectors, companies, and valuations. The Fund's investible universe has become more diverse, and multifarious, but offers more potential than ever. Our investment team are now focusing on the possibilities for value creation wherever they occur, in the form of structuring, streamlining, and cost-saving. We have been wary of the market's fickleness and susceptibility to reversal, but remain ready to take advantage of lower prices and equitisations as they arise in early 2007.

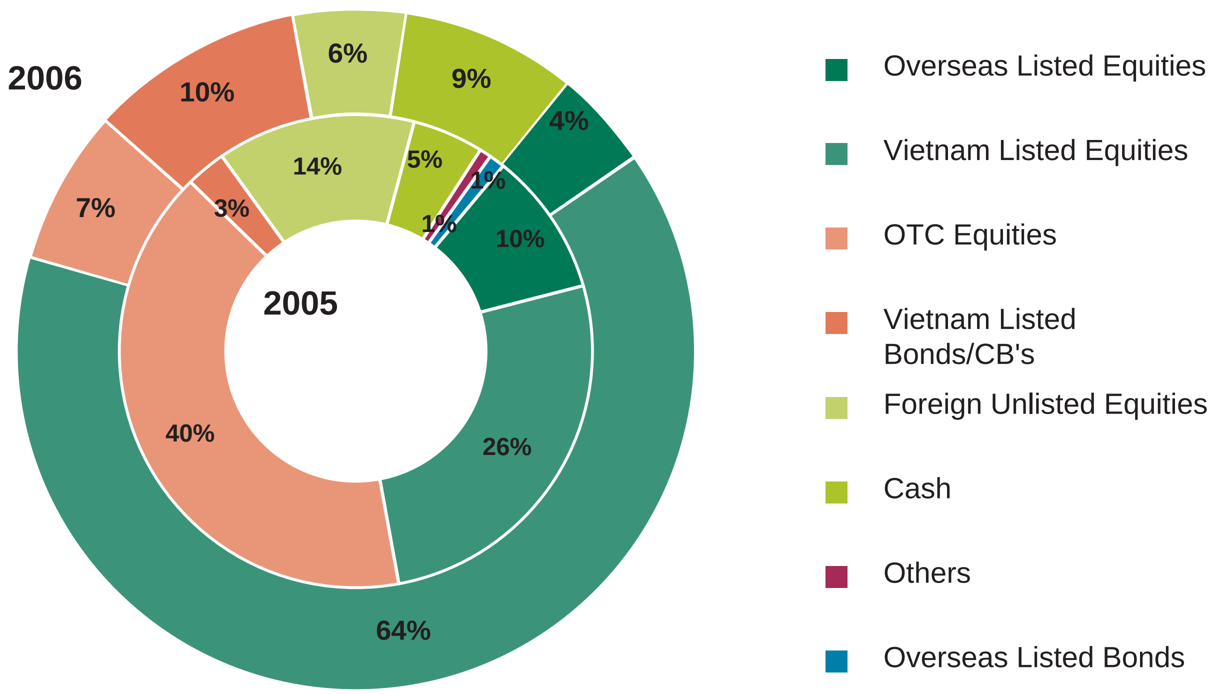
THE PORTFOLIO

R AND C SHARE CLASSES

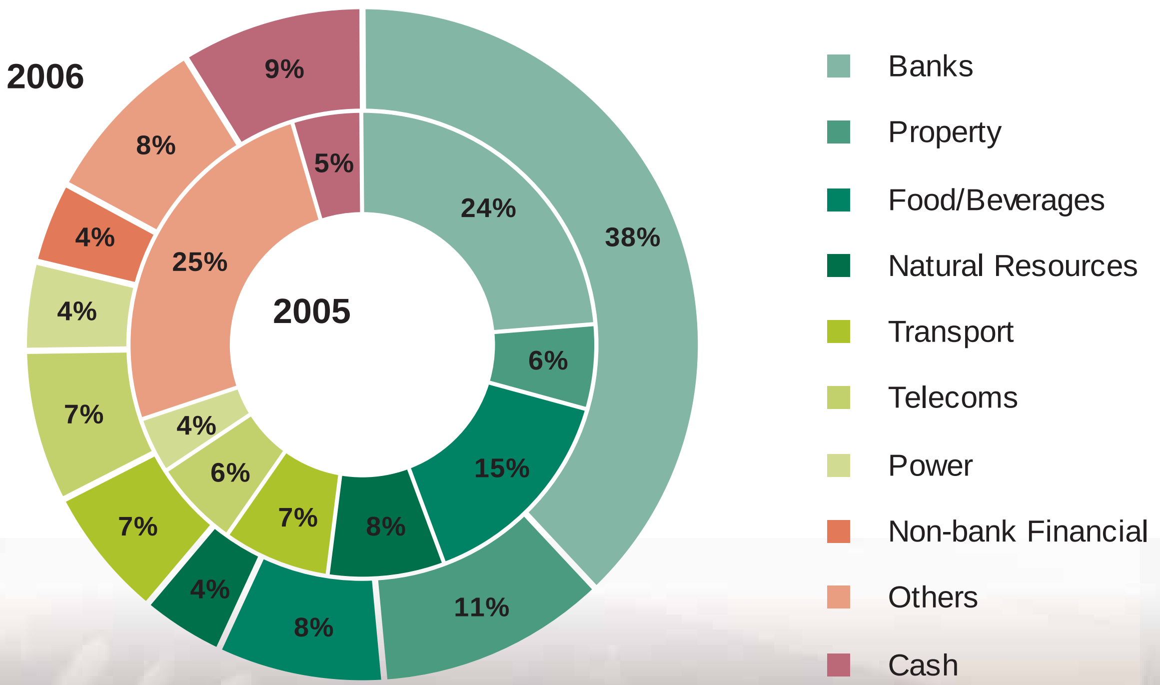
INCLUDING TOP TEN HOLDINGS

R SHARE PORTFOLIO LISTING BY ASSET CLASS

VEIL R by Asset Class



VEIL R by Sector



SUMMARY R SHARE PORTFOLIO LISTING BY ASSET CLASS

A full Portfolio Listing by Asset Class, including brief narrative on the investment holdings can be found on pages 56 to 58.

	Industry	%NAV
Bonds		
ACB Convertible Bond	Banks	11.49
CII-Bond 8% 15/09/09	Infrastructure	0.23
		11.72
Overseas Listed Equities		
Olympus Pacific	Natural Resources	1.80
Tiberon	Natural Resources	1.66
Asian Mineral Resources	Natural Resources	0.69
Vedan	Food/Beverages	0.47
Keeper Resources	Natural Resources	0.19
VII	Construction Materials	0.13
		4.94
Vietnam Listed Equities		
ACB **TT**	Banks	12.30
Sacombank **TT**	Banks	11.01
REE **TT**	Commerce	10.53
Vinamilk **TT**	Food/Beverages	8.48
Sacom Cable **TT**	Telecoms	8.15
Gemadept **TT**	Transport	6.75
VF1 **TT**	Investment Fund	4.00
Pha Lai Power	Power	2.20
Vinh Son-Song Hinh	Power	2.03
CII	Infrastructure	1.73
Agifish	Agri-industries	1.35
Concrete 620	Construction Materials	1.33
Thac Ba Power	Power	1.00
Incomfish	Agri-industries	0.71
Savimex	Commerce	0.45
Halong Canning	Food/Beverages	0.13
		72.15
Unlisted Equities		
Danao	Property	2.31
Hanoi Lake View	Property	1.51
Pacific Ocean	Transport	0.52
Qudos	Property	0.45
Glass Egg	Software	0.33
VIFS	Investment Fund	0.32
Global Cybersoft	Software	0.25
SilkRoad	Software	0.16
PDD	Property	0.10
Betafund	Investment Fund	0.01
		5.96

TT - Top Ten Holding in the combined Redeemable and Conversion Share portfolio, see pages 32 - 41.

Vietnam Unlisted Equities		
VP Bank **TT**	Banks	5.02
Phuong Nam Bank	Banks	3.13
WACO	Infrastructure	0.28
Duc Hanh	Transport	0.20
		8.63
Loans		
Glass Egg 9% loan 28/10/09	Software	0.07
		0.07
Warrants		
Keeper due 30/06/07	Natural Resources	0.01
		0.01
TOTAL		**103.49**

TT - Top Ten Holding in the combined Redeemable and Conversion Share portfolio, see pages 32 - 41.

VALUATION CHANGES - R SHARE

The carrying values of the following investments have been adjusted by management to better reflect their fair market values on the following bases:

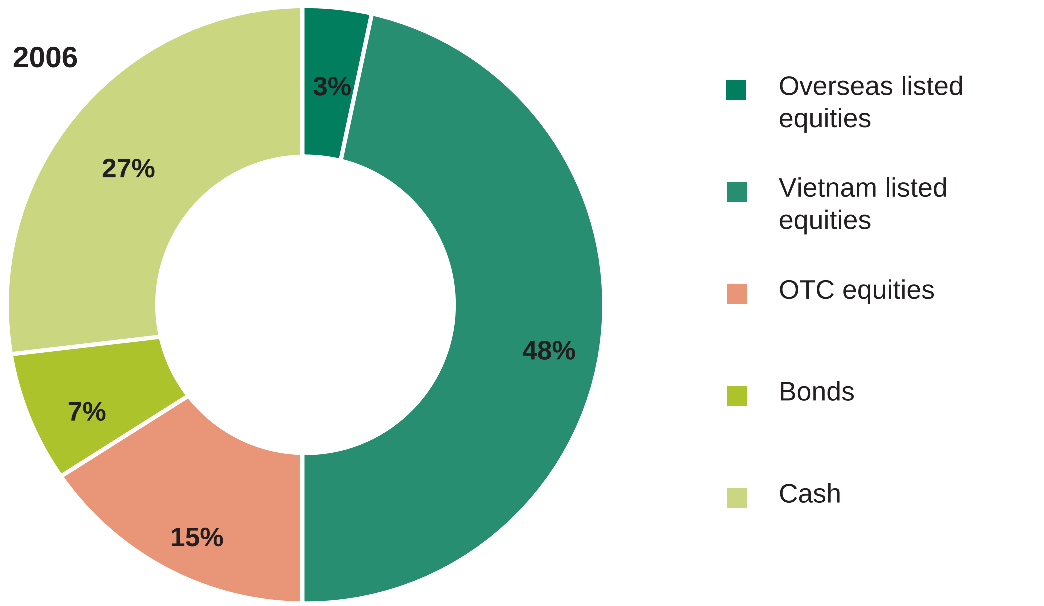
Overseas Unlisted Equities		Market Value US$	%NAV
Danao	**Property/Hotel**	**12,015,000**	**2.31**
Following the re-valuation of a number of properties owned by Danao, Chesterton Petty Vietnam Limited has revalued VEIL's 45% ownership in Danao at $12,015,000; an increase of $2,691,000 or 28.9%.			
Hanoi Lake View	**Property/Hotel**	**7,850,000**	**1.51**
At the end of 2006, VEIL's 70% ownership of this Joint Venture was revalued by Chesterton Petty Vietnam Limited.			
Pacific Ocean	**Transport**	**2,689,565**	**0.52**
Professional ship valuers, ICT have applied an adjusted book value methodology in their valuation of vessels owned by Pacific Ocean as at 31 December 2006. The result has been an increase in the carrying value of VEIL's ownership in Pacific Ocean of $29,300 or 1.1%.			
Qudos	**Property**	**2,335,000**	**0.45**
VEIL holds a 50% stake in Qudos Asia Limited; which is in turn, the foreign partner, with a 65% shareholding in Avalon Saigon Company. Following the valuation of the Avalon Building by Chesterton Petty Vietnam Limited at the end of 2006, VEIL's interest in Qudos was valued at $2,335,000, an increase of $660,000 or 39.4%.			
Glass Egg	**Software**	**1,697,797**	**0.33**
By applying an average PER based on an appropriate selection of similar listed companies, then discounted back by 30%, the carrying value as at 31 December has been measured as $2,037,797, an increase of $3,703 or 0.2%.			
Global Cybersoft *	**Software**	**1,303,440**	**0.25**
By applying an average PER based on an appropriate selection of similar listed companies, then discounted back by 10%, the carrying value as at 31 December has been measured as $973,901, a decrease on prior year of 38%.			
SilkRoad	**Software**	**839,137**	**0.16**
By applying an average PER based on an appropriate selection of similar listed companies, then discounted back by 10%, the carrying value as at 31 December has been measured as $839,137, an increase of $306,351 or 57.5%.			
PDD	**Property**	**530,363**	**0.15**
At the end of 2006, VEIL's 33% ownership of the PDD building was revalued by Chesterton Petty Vietnam Limited, and held on the books at $530,363.			

* includes preferred stock with a Market Value of $329,539 and %NAV of 0.06

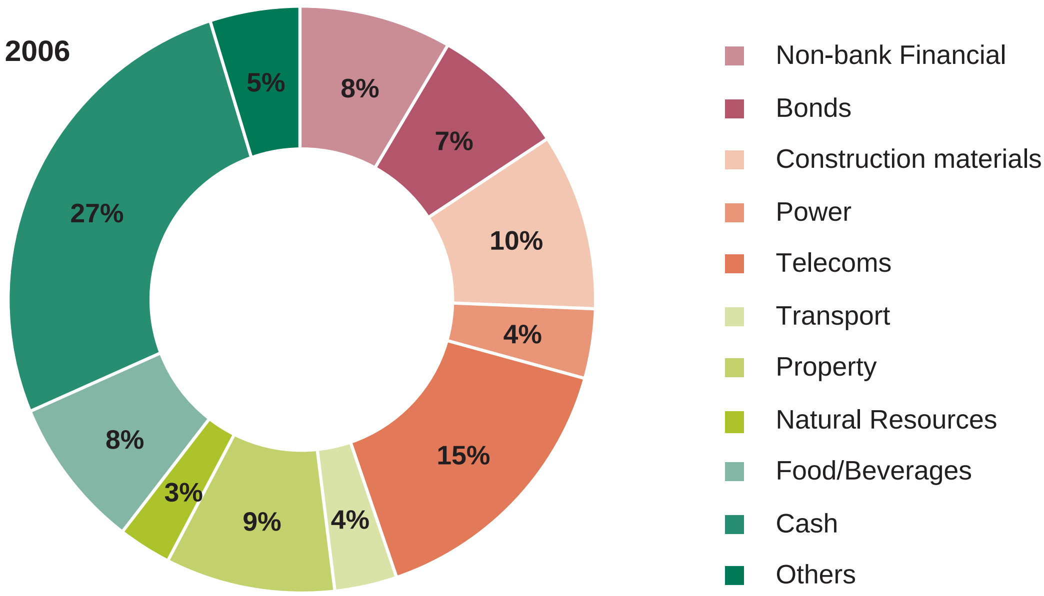
Vietnam Unlisted Equities		Market Value US$	%NAV
Duc Hanh	**Transport**	**1,016,418**	**0.20**
VEIL successfully brought Duc Hanh Limited to trial following its failure to convert an outstanding loan into share capital. The Court instructed Duc Hanh to repay the full outstanding amount of $2,813,649 (including interest charges and a penalty payment). Incorporating these amounts, the carrying value of VEIL's 30% ownership at the year end, is $1,016,418, an increase of $235,359 or 23.2%, but still prudently held at a 60% discount to the full amount due.			

C SHARE PORTFOLIO LISTING BY ASSET CLASS

VEIL C by Asset Class



VEIL C by Sector



SUMMARY C SHARE PORTFOLIO LISTING BY ASSET CLASS

A full Portfolio Listing by Asset Class, including brief narrative on the investment holdings can be found on pages 60 to 62.

	Industry	**%NAV**
Bonds		
Agribank	Banks	7.89
		7.89
Overseas Listed Equities		
Tiberon	Natural Resources	2.35
Asian Mineral Resources	Natural Resources	0.81
		3.16
Vietnam Listed Equities		
Thu Duc House **TT**	Property	9.95
Sacom Cable **TT**	Telecoms	9.14
Thang Long	Telecoms	7.08
Vinamilk **TT**	Food/Beverages	5.70
Bao Viet Security	Non-bank Financial	3.95
Gemadept **TT**	Transport	3.50
Vinh Son-Song Hinh	Power	2.68
Bien Hoa Sugar	Food/Beverages	2.65
Binh Minh Plastics	Consumer Goods	1.70
CII	Infrastructure	1.48
Pha Lai Power	Power	1.33
Concrete 620	Construction Materials	0.81
		49.97
Vietnam Unlisted Equities		
Vinaconex **TT**	Construction Materials	9.34
VF2	Investment Fund	5.00
Tay Ninh Rubber	Agri-industries	1.78
Vitaco	Transport	0.24
		16.36
TOTAL		**77.38**

TT - Top Ten Holding in the combined Redeemable and Conversion Share portfolio, see pages 32 - 41.

1	Market Value	% Net Assets	Portfolio
ACB & ACB Equity Convertible Bond 8% 15/10/2011	**US$123,627,374**	**17.13%**	**R**

ACB is Vietnam's biggest private bank, acknowledged as the leading force in the non-State financial sector for many years now. It has been a prime mover in IT and was the first bank to take on foreign partners (Standard Chartered Bank, International Finance Corporation and Dragon Capital at 27%). Its main business is making loans to Small and Medium sized Enterprises and their proprietors. The bank strictly targets the most rapidly-expanding parts of the urban economy and has not made any effort to have nation-wide branch coverage. It has deployed its funds with great prudence, charting a "safe loan" policy that has kept Non-Performing Loans at well under 1%. ACB's challenge now is to combine its innate caution with high growth, as the banking industry booms alongside the economy. Management is trying to flesh out traditional small-company loans with consumer/retail loans (credit cards, unsecured personal facilities, mortgages, etc.) but this is slow going because Vietnam still doesn't have a mass middle-income base.

The groundwork is nonetheless being laid, and over time ACB plans to move beyond simple collateralised lending and become a diversified financial-services group. That will be strategy will be implemented through various subsidiaries the bank is now developing: a securities arm (ACBS), an asset management company (ACBA), a precious-metals dealer (ACB-SJC Jewelry), a real estate agency (ACBR), a leasing firm (ACBL) and others. The contribution of these affiliates is moderate at present, but they are important markers for the future.

ACB's looks likely to post remarkable results for 2006: on our forecast, deposits will be +82% at $2,243m, assets +79% at $2,709m; loans +65% at $983m; net profits +67% at $31m. However the key take-away may have been that deposits continued to grow faster than loans, and greatly outweighed them. Hence the loan/deposit ratio remained stuck on a downtrend, reaching 40.3% last year from 42.7% the year before, and well below the private sector's average of about 60%. Spreads were lower too. Excess deposits are being recycled into Government bonds and interbank placements, and while these provide respectable returns, they are a lot less than what could be achieved from loans. But of course this is only a missed opportunity to further maximise profits, not something more serious. ACB is still doing amazingly well. We believe that over the next few years, it will outgrow its culture of conservatism and move towards pro-active credit policies that increase business by a lot more than risk. Not only will the bank lend in higher volumes, but it will enter altogether new sectors through the universal bank strategy, ascending the product ladder into consumer finance, credit cards, pension funds, capital markets and mutual funds.

The main problem presented by ACB as it advances towards a more dynamic business model is seeming expensiveness: for 2007, 34x on -35% EPS, with an adjusted PBV of 6.2x. This arises not just from share price hikes but from the bank's massive Convertible Bond program in late 2006. This was undertaken to fund expansion and keep CARs above 8%, but it will entail very high dilution. Our forecasts for earnings and NAV growth are bullish, and we can see quite a lot of hidden value in the balance sheet. Yet the EPS CAGR to 2010 looks to be about 2.5%, with a 2010 PER of 19x and PBV of 4.3x. ROE will remain healthy, in the mid-20%'s, but well down from its traditional mid-30%'s, and only about 2.5x COE.

Why therefore hold ACB? Because we believe that it simply can't be appropriate to write off the industry leader as private-sector banking comes into its own and helps to spearhead the growth of Asia's next Tiger. According to the paradigm for other top emerging-market banks, ACB will find opportunities that it is difficult to conceive of now, and a few years hence, any sales may appear to have been short-sighted – especially since foreign limits mean that stock which is let go of now may be gone forever. Also we are prepared to believe that our forecasts are conservative, in particular on the loan-to-deposit front.

2	Market Value	% Net Assets	Portfolio
Sacom Cable	**US$60,814,014**	**8.43%**	**R & C**

Sacom Cable is Vietnam's number one producer of telecommunication cables with close to a 70% hold on the market in terms of production capacity and output. Equitised in 1998, and listed in 2000, Sacom Cable now has a strong base of subsidiaries involved in supporting industries (including copper, plastic, packaging, and telecom material production).

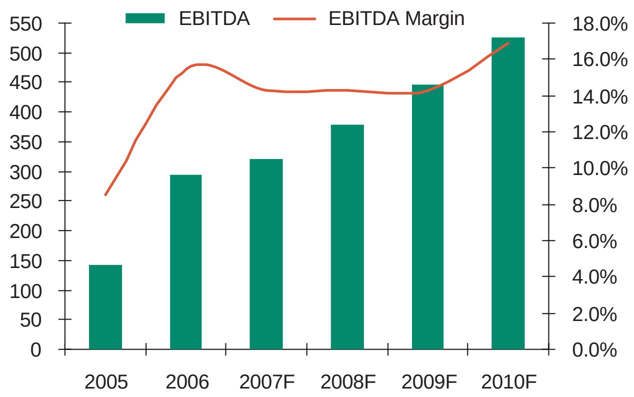
Revenues rose by 98% to $102m in 2006 and net profit after tax ("NPAT") gained 88% to $12m. A surge in the number of telecom lines installed and effective cost control of copper were the main reasons. Over the year, the company's share price increased almost 4.5 times from VND40,000/share to VND180,000/share. By year-end, its market capitalisation had reached $421.2m.

By far the biggest contributor to income remains its core telecom cable business which accounts for over 90% of total revenue. Longer term, the company's strategy is to transition into a full scale holding group. As a first step, it wants to move up the value chain by growing its power cable business and from there expand into fiber optics.

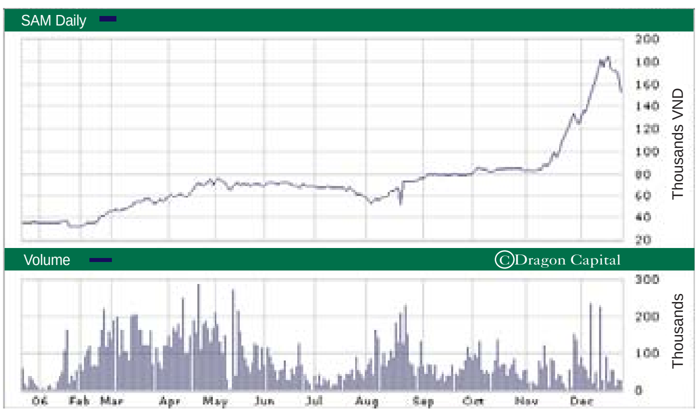
To make this happen, Sacom Cable has already purchased 49% of Cambodian telecom provider, Pacific Communication Pte. Ltd. Over the next year, the company is planning to acquire fiber optics producer, Fiber Optic Cable and Accessories Ltd. (Focal Cables) based in HCMC, and is developing extra fiber optics capacity both in-house and through its subsidiary, Saigon Cable.

Sacom Cable's property and financial investments continue to bolster non-core business. The company has minority interests in over ten companies. The three largest of these, also telecom and power cable producers, include: a 30% stake in Sacom-Taihan JV; 36.8% of Saigon Cable Co.; and 19% of Thang Long Electric Wire and Cable Co.

Ebitda and Ebitda Margin, 2005-2006 and forecast beyond



Sacom Cable's share price movement 2006



3	Market Value	% Net Assets	Portfolio
Sacombank	**US$57,200,939**	**7.93%**	**R**

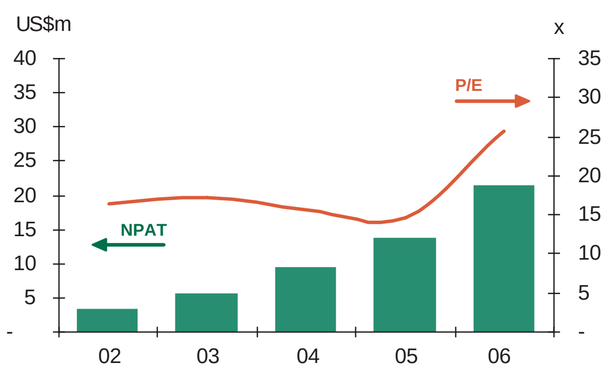
Sacombank is another icon of dynamic private-sector banking in Vietnam along with ACB, which it resembles in many ways. It has grown just as explosively doing the same sort of Small/Medium Enterprise-type business, and it has the same ambitions to be a diversifi ed fi nancial services group, with forays into asset management (Vietnam Fund Management), property (SacomReal), non-life insurance (Vien Dong), stock broking (the newly-formed Sacom Securities) and leasing. It was also early to take on foreign partners, with ANZ, Dragon Capital and the International Finance Corporation owning 26%. Sacombank however had a more diffi cult inception than ACB, starting as a merger of failed credit co-operatives that took some time to gel as a viable bank. It used to have Non Performing Loans in the 4-5% range, and now it has wrestled them down to well under 1% like ACB, but this is due as much to the economy as to enhanced credit discipline. So in terms of size, and perhaps also in terms of levels of professionalism and service, Sacombank remains number-two in the industry – but it is quite a close second.

Looking to the future, Sacombank seems to be targeting the mass retail base more actively than ACB, by going for a nation-wide branch network that covers the countryside as well as cities. At end-2006 it has the biggest network in the private sector. It is using this platform to roll up borrowers more aggressively, with a loan-to-deposit ratio in the region of 60%. Also, until ACB launched its convertible, Sacombank was a more vigorous issuer to the general public, with at least one or two offerings every year, and this has given it the highest level of registered capital among Vietnamese private banks at VND2.1 trillion. These fund-raisings have provided much of the money for Sacombank's rapid expansion and have also created an unusually numerous shareholder base, with some 7,500 investors holding around 55% of stock. When it became the fi rst bank to list on the offi cial market in July, this was in keeping with its embrace of the equity culture and its popular outreach.

Sacombank should post strong numbers for 2006: according to our forecasts, deposits will be +85% at $1,344m, assets +80% at $1,630m, loans +58% at $827m and net profi ts +75% at $25m. A forward comparison with ACB shows that the latter will nonetheless continue to widen the size gap, growing its business somewhat more quickly from a bigger base. And ACB, for all its recent dilution, looks like it will maintain a Return on Equity ("ROE") more than half again as high as that of Sacombank – it has leveraged its own capital better, and Sacombank's history of serial issuance has not done a lot for its fi nancial ratios. But Sacombank retains many points of interest:

Its growth is still impressively robust, and it has better value for growth – for 2007, its rating is 21x PER on +29% EPS, with an adjusted Price to Book Value ("PBV") of 3.8x. Going into 2010, the PER is 11.5x on a CAGR of 11%, including continued issuance, with the PBV falling to 1.6x. It squeezes more return from its total assets since it lends more of them – respective Return on Assets ("ROAs") are 1.5% and 2.0%. The discrepancy would widen over time if Sacom continued to be the more balanced lender, and became yet more active on this front. It is still coming up the learning curve on quality of management, professionalism and service, and it may well surprise investors by how rapidly it closes the gap with its bigger counterpart. We will continue to carry Sacombank as a core holding, bearing in mind that all the banks are entering uncharted growth territory, and that almost anything could happen in terms of new business opportunities and comparative performances.

Sacombank's operating results, 2002-2006



VINAMILK

4	Market Value	% Net Assets	Portfolio
Vinamilk	**US$55,570,356**	**7.70%**	**R & C**

Vinamilk, established in 1976, and equitised in 2003, remains Vietnam's leading manufacturer and distributor of dairy products. It sells milk in all its various forms- fresh, condensed, powdered- and has made a successful move into other goods such as yoghurt, soft drinks, and confectionary.

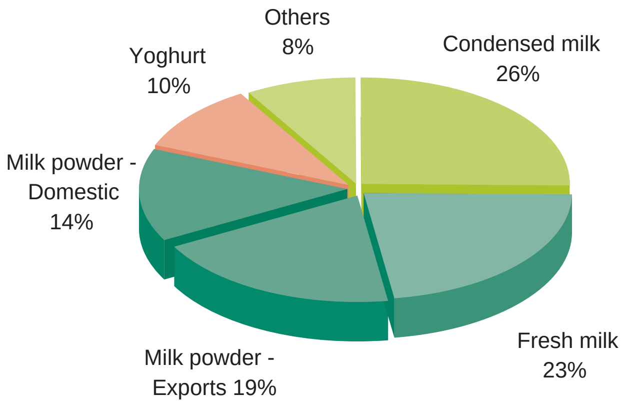
The start of 2006 marked the company's trading debut on the HCMC Stock Exchange. The event was among the most successful public offerings to date, doubling the market value of the exchange to more than $1bn, and causing the Vietnam index to stage a significant rally.

Over the course of the year, continued interest from the market drove shares of the company up 136% to VND125,000, 23 times its 2007 earnings forecast, providing a dividend yield of 1.4%. By year-end, Vinamilk's market capitalisation had reached $1.2bn, about 14% of the combined value of all companies on the Exchange.

The company's turnover in 2006 rose 17.4% year-on-year to $413m with net profit up 21.1% to $45.8m on the back of robust domestic demand and loan repayment from its brewery joint venture with SAB Miller. Other highlights from the past year include furthering diversification with new joint ventures into beer and coffee production, and the launch of a real estate vehicle, Vinamilk Land (registered market capitalisation of $10m). An expansion of its financial investment portfolio from VND49.3bn in 2005 to VND158bn helped finance this growth.

VEIL purchased Vinamilk shares in March 2003 and has now acquired a total holding of 4.49%.

Vinamilk's sales breakdown, 2006



Vinamilk's share price movement, 2006

TOP TEN HOLDINGS - R & C SHARE CLASSES COMBINED

5	Market Value	% Net Assets	Portfolio
REE	**US$54,721,432**	**7.58%**	**R**

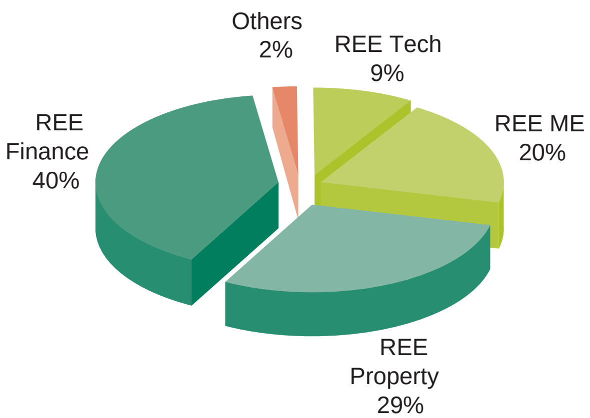
REE is a leading player in the HCMC investment property market, specialising in commercial and office buildings. It began life as an electro-mechanical contractor and white-goods manufacturer in 1977, and it was when these businesses began to stagnate that REE moved into real estate. Its entrée was a cheap land bank that came with equitisation in 1992 and this was the basis for a suite of upscale projects which hit the market just in time for the current boom, and have helped REE achieve major earnings growth in recent years.

As cash from rentals has poured in since the early 2000s, REE financial investment arm has grown in tandem and is now a major driver of earnings growth. In 2006, the division accounted for over 30% of annual revenues. Partial sale of its 10% holding in Sacombank alone at the beginning of 2006 resulted in a profit of VND90bn. These gains, combined with full occupancy of the company's office buildings, helped drive post-tax profits in 2006 to VND300bn.

The contribution of REE's Mechanical & Engineering division to annual revenues improved from 5% in 2005 to 20% in 2006. Performance at REE Tech, on the other hand, remained sluggish as the group struggled with high manufacturing costs and foreign competition. Still, the company's share price rose by more than 2.8x to VND137,000 over the year reflecting its premium blue-chip status.

Going forward, REE's objective is to lay the foundation for a scaled-up and sustainable property business, as the market gets ready for a period of rapid expansion. The earnings outlook is strong and is reinforced by the fact that REE's properties are still being carried at cost, along with stock-market investments acquired in years past by the company's financial-investment arm.

2006 Pre-tax profit



REE's share price movement, 2006

6	Market Value	% Net Assets	Portfolio
Gemadept	**US$42,095,651**	**5.83%**	**R & C**

Gemadept is a leading container operator in Vietnam, and the only one which offers a fully-integrated range of port, shipping and agency services. Established as a small shipping services firm in 1990, it now owns Vietnam's second-largest container terminal in HCMC, handling 17-18% of the country's throughput.

In 2006, turnover reached $75.3m up from $68.5m in 2005 with pre-tax profits of $13.6m compared to $12m in 2005. Earnings for Gemadept's core port business continued to stagnate and were down 4% in 2006 due to intense competition in HCMC, the overcrowded main port facility.

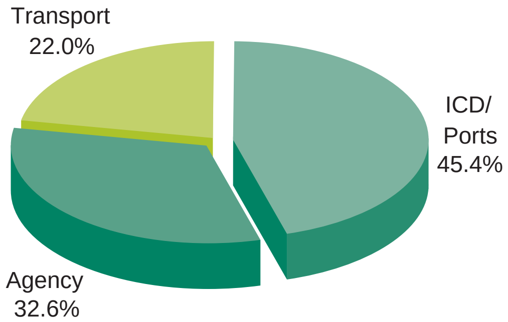
Gemadept is now preparing to beat competition with a major $137m investment plan which has at its centre-piece its participation in the country's first deep-sea container port, scheduled for completion in 2010-2011. To supplement this venture, Gemadept began construction in 2006 of a 1.1m tonne general port in central Vietnam at Dung Quat and boosted the size of its container fleet with the purchase of two vessels. The year also marked Gemadept's entrance into the real estate market as it began construction of an office building in downtown HCMC.

As growth plans continued to inspire investor confidence, Gemadept's share price increased 86.4% in 2006. At year-end, the company's market capitalisation stood at $297m, making it one of the ten biggest companies in the HCMC Stock Exchange, accounting for some 3.3% of total market capitalisation.

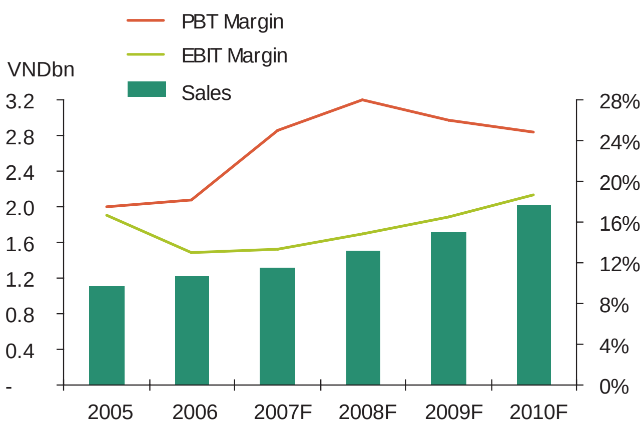
Over the coming year, Gemadept is expected to further increase the size of its container fleet with the purchase of more vessels, and make ongoing drives in its agency operations via an exclusive joint venture with Schenker AG, the world leading provider of logistics services. To finance these investments, the company is carrying out a share capital increase from VND345.5bn to VND469bn.

VEIL purchased Gemadept shares in March 2003 and has now acquired a total holding of 12.7% (VEIL R) and 2.6% (VEIL C).

Gross profits, 2006



Turnover and Profit Margin, 2005-2006 and forecast beyond



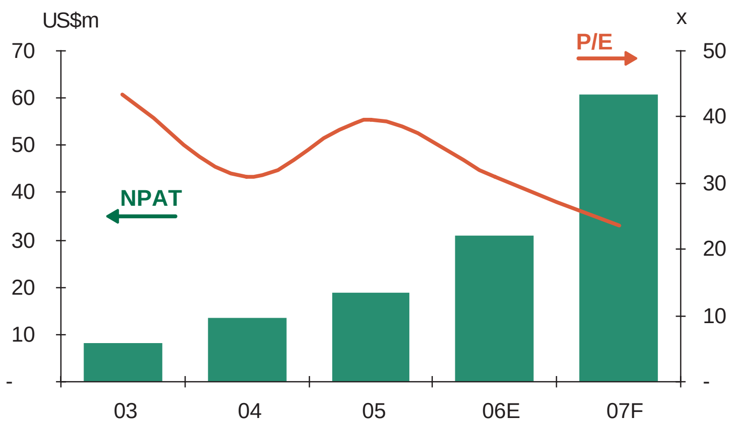
7	Market Value	% Net Assets	Portfolio
VP Bank	**US$26,086,955**	**3.62%**	**R**

VP Bank, founded in 1993, was one of first private local banks in Vietnam. After a successful start, the bank was brought to the verge of bankruptcy during the Asian financial crisis due mainly to uncontrolled lending and the undisciplined issuing of credit. This forced the State Bank to step in and place the bank under its supervision in 1998.

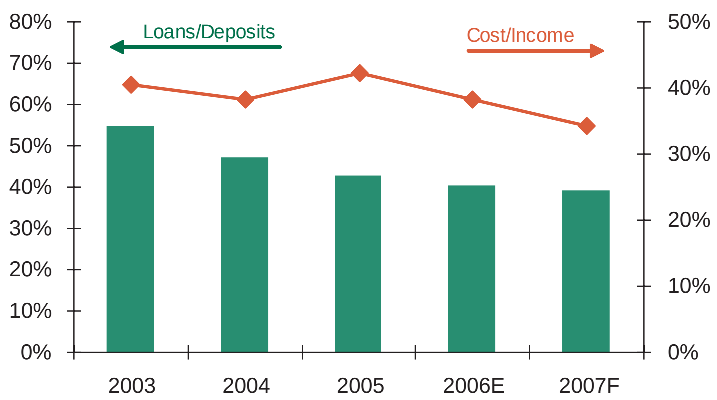
In 2000, the bank's Board of Directors adopted internal reforms and invited Mr. Lam Hoang Loc, former CEO of Asia Commercial Bank, to act as Chairman. Under the new leadership, VP Bank introduced much stricter lending policies which were successful in controlling bad debt and further restructuring helped put the bank back on course. Since 2006, it has no longer been under State Bank supervision.

VP Bank is a much more robust entity today. By November 2006, its capital adequacy ratio stood at 32%, four times higher than the required 8%. In 2006, EBT ("Earnings Before Tax") rose from VND76bn to VND150bn, and the bank more than doubled its charter capital from VND310bn to VND750bn. Both the bank's deposit and loan business grew over 50%, well above the industry average. Total assets increased by 45%, of which lending accounted for 53% and the interbank market 36%. Earnings from services accounts for only 14% of total earnings, which is line with other leading banks. By the year end, the bank was granted a licence to open its own securities company.

NPAT and P/E, 2003-2006, forecast beyond



Loan/ Deposits and Cost/ Income, 2003- 2006 and forecast beyond



8	Market Value	% Net Assets	Portfolio
VF1	**US$20,809,411**	**2.88%**	**R**

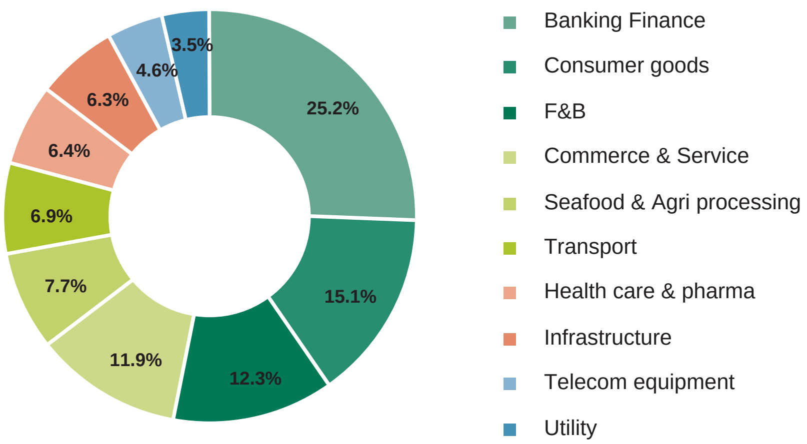
VF1 is a closed-end fund managed by a 51:49 joint venture between Sacombank and Dragon Capital. It was Vietnam's first local mutual fund and its first listed fund. VF1 targets primarily local investors and invests in local securities such as government bonds and listed/unlisted equity.

Driven by a bullish domestic stock market, the fund's registered capital increased by VND200bn in July 2006. As robust market conditions gained pace, VF1's net profit reached VND610.6bn by November, over seven times that of 2005. By year-end, the fund had raised a total of VND265bn. On the back of these gains, VF1's stock price ended the year at VND42,500 with NAV per share of VND31,353, up 144% from 2005.

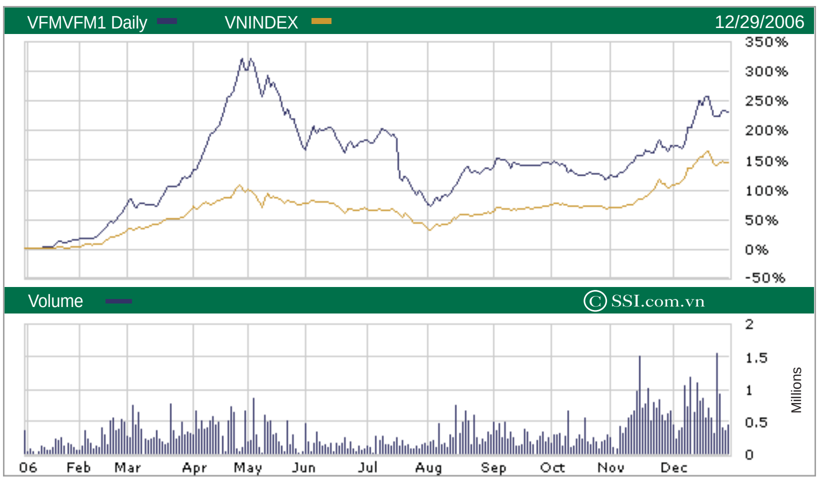
The fund benefited from the number of its invested companies that listed shares on the Stock Exchange. Valuations for many companies that listed were pushed upwards as a result. By the end of the year, the additional VND200bn raised mid-year had been fully invested. By far the majority of investments made were in listed and pre-listed stocks (69.4% and 23.8% of total assets respectively). Cash and bonds accounted for only 5.75% of total assets as of 30 November, 2006.

Buoyed by its success in 2006, the fund aims to increase capital by a further VND500bn in 2007 to pay for investments in upcoming privatisations.

Asset Allocation



VFM1's share price movement, 2006



9	Market Value	% Net Assets	Portfolio
Thu Duc House	**US$20,086,472**	**2.78%**	**C**

Thu Duc House is among Vietnam's leading property development companies. Established in 1990, the company has over VND350bn worth of land located in prime urban areas on its balance sheets, for which the open market valuation is estimated to be two to three times that of carrying value.

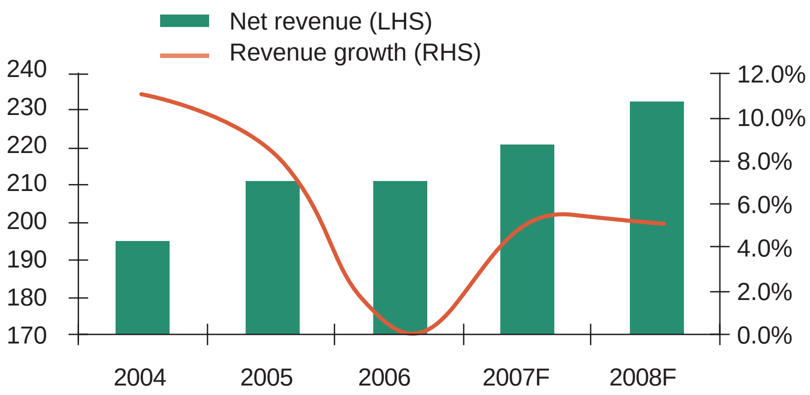
NPAT increased to $5.1m in 2006, up 120% from 2005, an impressive result considering average annual growth in the construction industry stands at 18%. This performance stems primarily from the sale of of land to its joint venture with South Korea's Daewon to develop Cantavil, a major residential, office and retail property in HCMC.

Over the past year, Thu Duc continued to expand its financial arm. Its investment portfolio grew 200% to VND250bn at costs with a market value estimated at VND450bn. Amid optimism for future growth, the company's share price soared to VND300,000 following listing on the HCMC Stock Exchange in early December 2006 before stabilising at VND200,000 by year-end.

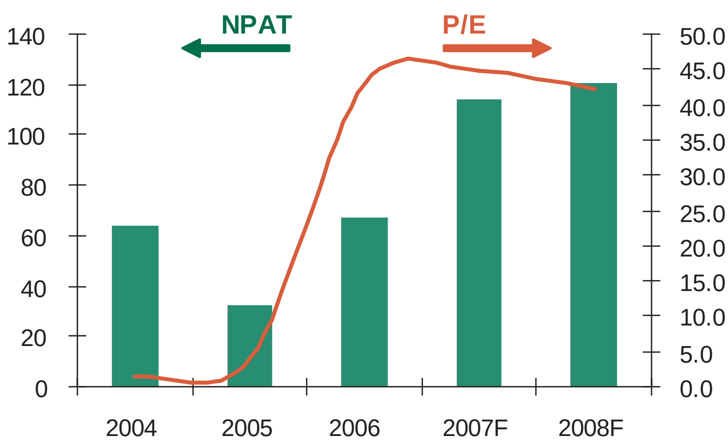
A strong pipeline of projects bode well for future earnings growth. Start-up of the company's Cantavil project in HCMC is set for end 2007/early 2008. This year, the company will consider replicating the development in Hanoi. From 2009, revenues from its Binh Chieu and Thuong Tho residential developments, also in HCMC, should start to be seen.

VEIL C purchased Thu Duc shares in July 2006 and currently holds about 9.9% of the company.

Revenue and Revenue Growth, 2004-2006 and forecast beyond



NPAT and P/E, 2004-2006 and forecast beyond



10	Market Value	% Net Assets	Portfolio
Vinaconex	**US$18,863,955**	**2.61%**	**C**

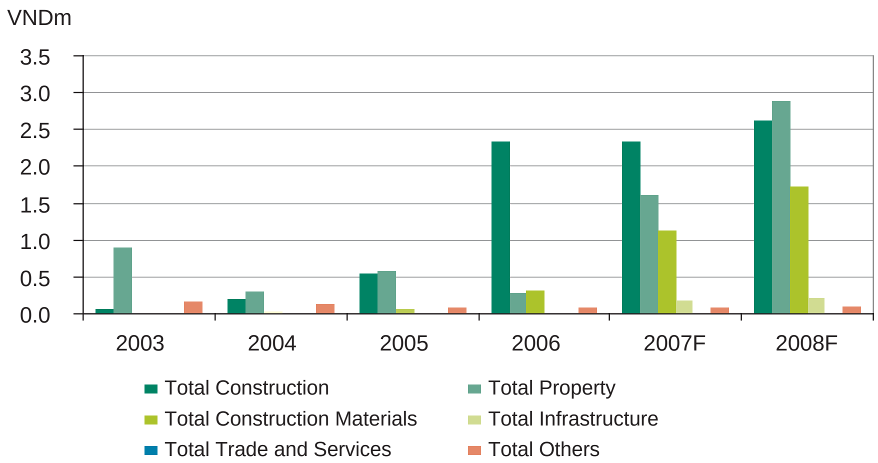
Vinaconex, founded in 1998, and equitised in 2006, is one of the country's best established construction and property development companies. The company specialises in large-scale, strategically important projects ranging from highways, to hotels and hospitals. It acts as the main contractor in development projects and also supplies construction materials, consultancy and design services from a nationwide network of 45 members, 24 subsidiaries and 17 affiliate companies.

In 2006, earnings rose to 52% to $13.3m from $8.7m in 2005, while revenues increased 310% to $326m from $80m in 2005. Growth was driven by the company's construction sector which accounted for 62% of total gross profit. Its property business made up 5.4% of total revenues although gross profit from the sector was relatively large (at 16%).

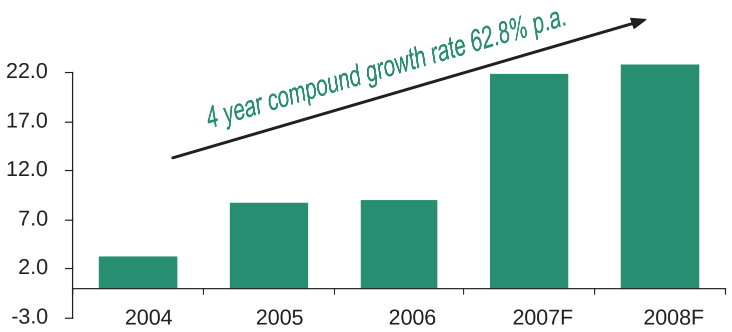
In recent years, the company has stepped up its involvement in infrastructure development by undertaking a number of massive projects. Two ventures currently underway are expected to generate gross profits of over $21.6m by 2010. These include: a 75% interest in two hydro electric power plants with total capacity of 154MW (1.23% of national capacity); and the construction of two water facilities with total capacity of 1,200,000m^3/day.

A major cost advantage in these projects comes from the company's self sufficiency in construction material supply. Up till now, this segment has existed to offer in-house support mainly but now Vinaconex is planning to build a 2.3m. tpa cement plant. Other major projects in the works, namely the North An Khanh housing development in HCMC, is expected to return $72m in gross profits. To date, Vinaconex has rights to develop over 2,000 hectares of land nationwide. Public listing is planned for 2008.

Revenue breakdown, 2003-2006, and forecast beyond



NPAT (US$m) 2004-2006, and forecast beyond



REPORT OF THE DIRECTORS AND 2006 AUDITED FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2006.

Principal activity

The Company is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands. The shares of the Company are listed on the Irish Stock Exchange. The principal activity of the Company is investing directly or indirectly in a diversified portfolio of listed and unlisted enterprises in Vietnam.

Results and dividends

The Company's profit for the year ended 31 December 2006 and its financial position at that date are set out in the consolidated financial statements on pages 47 to 71.

The directors do not recommend the payment of any dividend in respect of the year.

Share capital

Details of movements in the Company's share capital during the year are set out in the Consolidated Statement of Changes in Equity and in note 9 to the consolidated financial statements.

Directors

The directors of the Company during the year were:

Non-executive directors:

Dominic Scriven

John Shrimpton

Independent non-executive directors:

Peter Williams C.M.G. (retired on 28 December 2006)

Richard McKegney

Sin Foong Wong

Harmut Giesecke

In accordance with article 91 of the Company's articles of association, Dominic Scriven and John Shrimpton, non-executive directors, will continue in office and Richard McKegney was re-elected in his capacity as independent non-executive director at the Annual General Meeting held on 28 December 2006. At that same meeting, Peter Williams C.M.G. retired from the Board in his capacity as Director and Chairman and did not offer himself for re-election.

Directors' rights to acquire shares or debentures

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

Directors' interests in shares

Dominic Scriven and John Shrimpton have indirect interests in the share capital of the Company as they are also shareholders of Dragon Capital Group Limited, which holds the management shares of the Company. Dragon Capital Group Limited is also the ultimate parent company of the Investment Manager and Dragon Capital Markets Limited.

As at 31 December 2006, Dragon Capital Markets Limited also beneficially held 1,409,063 redeemable shares and 810,147 conversion shares of the Company for proprietary trading purposes.

Richard McKegney is a director of NIG Asian Investments Ltd., a wholly-owned investment vehicle of the National Bank of Kuwait, which is a beneficial shareholder of the Company, holding 1,500,000 redeemable shares and 500,000 conversion shares as at 31 December 2006.

REPORT OF THE DIRECTORS

As at 31 December 2006, Peter Williams C.M.G. beneficially owned 93,708 redeemable shares of the Company.

Wong Sin Foong is the Country Manager for the International Finance Corporation (the IFC), which is a shareholder of the Company, holding 6,932,568 redeemable shares and 6,000,000 conversion shares as at 31 December 2006. Harmut Giesecke is a director of Capital International which is a shareholder of the company, holding 11,987,020 redeemable shares and 14,997,000 conversion shares as at 31 December 2006.

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

Directors' interests in contracts

Dominic Scriven and John Shrimpton have indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited as they are also directors of Enterprise Investment Management Limited. Wong Sin Foong in his capacity as Country Manager for the IFC, is indirectly interested in the Investment Management Agreement, given the IFC's 9.9% shareholding in Dragon Capital Group. Except as described above, there were no contracts of significance in relation to the Company's business in which a director of the Company had a material interest, whether directly or indirectly, at the end of the year or at any time during the year.

Substantial shareholders

At 31 December 2006, the Company's register of shareholders showed that the following shareholders each held more than a 10% interest in the issued share capital of the Company.

Registered shareholder	Number of redeemable shares held	% of total redeemable shares in issue	Number of conversion shares held	% of total conversion shares in issue
Citvic Nominees Limited	103,071,396	85.90	120,306,238	80.20
Kredietbank Luxembourg Clearstream Account	14,598,175	12.17	29,693,762	19.80

Citvic Nominees Limited is the depository for Euroclear and Kredietbank Luxembourg Clearstream Account is the depository for Clearstream Banking.

Purchase, sale or redemption of securities of the Company

On 12 December 2006, the Company utilised a permission granted annually by its shareholders to issue up to 10% of its outstanding redeemable capital in new shares. Under this authority, the Company issued 10,900,000 redeemable shares at US$4.16 per share, at a premium of 8.1% to the prevailing NAV per redeemable share as at November 2006.

Post balance sheet events

Details of significant post balance sheet events of the Company are set out in note 17 to the consolidated financial statements.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Dominic Scriven O.B.E.
Director
26 April 2007

John Shrimpton
Director
26 April 2007

INDEPENDENT AUDITORS' REPORT

To the shareholders of Vietnam Enterprise Investments Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Vietnam Enterprise Investments Limited, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Vietnam Enterprise Investments Limited as of 31 December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
26 April 2007


50 KGS NET

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2006

	Notes	2006	2005
		US$	US$
CURRENT ASSETS			
Cash and cash equivalents	7	74,353,850	7,145,019
Financial assets at fair value through profit or loss	6	693,952,591	185,006,626
Prepayments and other receivables		34,509,087	1,904,698
		802,815,528	194,056,343
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		81,244,072	5,447,005
Interest-bearing loan	8	-	4,000,000
		81,244,072	9,447,005
NET ASSETS		721,571,456	184,609,338
EQUITY			
Issued capital	9	2,699,910	1,090,910
Share premium		311,901,635	118,166,636
Retained earnings		406,969,911	65,351,792
TOTAL EQUITY		721,571,456	184,609,338
NUMBER OF REDEEMABLE SHARES IN ISSUE	9	119,990,000	109,090,000
NET ASSET VALUE PER REDEEMABLE SHARE	11	$4.33	$1.69
NUMBER OF CONVERSION SHARES IN ISSUE	9	150,000,000	-
NET ASSET VALUE PER CONVERSION SHARE	11	$1.346	-

Approved by the board of directors on 26 April 2007

Dominic Scriven O.B.E.
Director

26 April 2007

John Shrimpton
Director

26 April 2007

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2006

	Notes	2006	2005
		US$	US$
INCOME			
Non-bank income:			
Bond interest income		643,315	618,609
Dividend income		7,114,129	4,430,251
Other interest income from investments		12,292	39,685
Sundry income		117,574	46,270
		7,887,310	5,134,815
Bank interest income		2,130,996	223,374
TOTAL INCOME		10,018,306	5,358,189
EXPENSES			
Administration fee	12	(478,942)	(179,953)
Audit fee		(68,000)	(50,092)
Custodian fee	12	(147,893)	(74,615)
Directors' fees	12	(71,918)	(93,156)
Incentive fee	12	(80,391,495)	(4,171,977)
Income participation fee		(160,717)	(518,706)
Interest expense on a loan	8	(91,276)	(294,835)
Legal and professional fees		(207,284)	(130,298)
Management fee	12	(7,511,723)	(2,953,414)
Withholding tax	13	(100,706)	(12,430)
Other operating expenses		(196,612)	(144,772)
TOTAL EXPENSES		(89,426,566)	(8,624,248)
NET LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES		(79,408,260)	(3,266,059)
INVESTMENT AND EXCHANGE GAINS			
Exchange losses, net		(824,606)	(2,215,885)
Realised gains on investments		11,381,550	1,722,916
Change in unrealised gains on listed investments		402,226,372	7,906,357
Change in unrealised gains on unlisted investments		8,522,169	41,989,872
Provision for impairment loss		(279,106)	-
		421,026,379	49,403,260
PROFIT FOR THE YEAR		314,618,119	46,137,201
EARNINGS PER REDEEMABLE SHARE	14	$2.647	$0.454
EARNINGS PER CONVERSION SHARE	14	$0.382	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2006

	Note	Issued capital US$	Share premium US$	Retained Earnings/ accumulated losses US$	Total US$
At 1 January 2005		991,764	102,898,246	19,214,591	123,104,601
Issue of redeemable shares during the year *		99,146	15,268,390	-	15,367,536
Profit for the year		-	-	46,137,201	46,137,201
At 1 January 2006		1,090,910	118,166,636	65,351,792	184,609,338
Issue of redeemable shares during the year **	9	109,000	45,234,999	-	45,343,999
Issue of conversion shares during the year ***	9	1,500,000	148,500,000	-	150,000,000
Profit for the year		-	-	341,618,119	341,618,119
At 31 December 2006		2,699,910	311,901,635	406,969,911	721,571,456

*This amount is shown net of a placement fee incurred of US$95,119, payable to Dragon Capital Markets Limited.

**This amount is shown net of a placement fee incurred of US$436,001, payable to Dragon Capital Markets Limited.

*** This amount is shown net of a placement fee incurred of US$1,904,611, payable to Dragon Capital Markets Limited.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2006

	Notes	2006 US$	2005 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		341,618,119	46,137,201
Adjustments to reconcile profit for the year to net cash from operating activities:			
Dividend income		(7,114,129)	(4,430,251)
Bank interest income		(2,130,996)	(223,374)
Bond interest income		(643,315)	(618,609)
Other interest from investments		(12,292)	(39,695)
Interest expense on a loan		91,276	294,835
Realised gains on listed investment		(10,453,678)	(1,722,916)
Realised gains on unlisted investment		(927,872)	-
Change in unrealised gain on listed investment		(402,226,372)	(7,906,357)
Change in unrealised gain on unlisted investment		(8,522,169)	(41,989,872)
Impairment losses		279,106	-
Operating loss before changes in operating assets and liabilities		(90,042,322)	(10,499,028)
Decrease/(Increase) in operating assets:			
Prepayments and other receivables		638,018	(801,283)
Increase in operating liabilities:			
Accounts payable and accrued liabilities		75,857,067	4,926,039
Cash used in operating activities		(13,547,237)	(6,473,272)
Dividends received		7,240,161	4,020,834
Interest on bank deposits received		2,055,306	223,487
Interest on bond received		450,673	579,424
Other interest from investments received		12,292	74,894
Interest on a loan (paid)		(151,276)	(354,444)
Net cash flows used in operating activities		(3,940,081)	(1,830,077)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments		(115,625,068)	(43,283,882)
Proceeds from disposal of investments		28,530,088	30,729,281
Net cash flows used in investing activities		(87,094,980)	(12,554,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of redeemable shares		12,679,893	15,367,536
Issue of conversion shares		151,904,611	-
Placement fee paid		(2,340,612)	-
Repayment of interest bearing loan		(4,000,000)	(4,000,000)
Net cash flows from financing activities		158,243,892	11,367,536
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		67,208,831	(3,017,142)
Cash and cash equivalents at beginning of year	7	7,145,019	10,162,161
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	74,353,850	7,145,019

1. THE COMPANY

The Company is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands on 20 April 1995. It commenced operations on 11 August 1995, the date on which the initial subscription proceeds were received, and had no employees as at 31 December 2006.

The investment objective of the Company is to invest directly or indirectly in publicly or privately issued securities of companies, projects and enterprises issued by Vietnamese entities, whether inside or outside Vietnam.

The redeemable shares of the Company are listed on the Irish Stock Exchange. The Company is established for an unlimited duration. At an extraordinary shareholders' meeting held on 5 May 2006, a special resolution was passed whereby at the annual general meeting of the Company to be held in the year 2010, a special resolution to wind up the Company effective 31 December 2012 shall be put before the meeting. If that special resolution is not passed the Company will put before the annual general meeting in each successive even numbered year a special resolution to wind up the Company effective 31 December in the second year following the date of such annual general meeting.

The Company operates in one country, Vietnam. Accordingly, the reporting of financial information by geographical segment is not presented in these consolidated financial statements.

2. IMPACT OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The accounting policies and basis of preparation adopted in the presentation of the consolidated financial statements are consistent with those of the previous financial period. There have been no changes to IFRS which have a significant impact on the financial statements.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Company has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. These IFRSs are effective for annual periods beginning on or after 1 January 2007:

- IAS 1 (Amendment) Capital Disclosures
- IFRS 7 Financial Instruments: Disclosures

The IAS 1 (Amendment) shall be applied for annual periods beginning on or after 1 January 2007. The amendment requires the Company to make new disclosures about qualitative information to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

IFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments.

The Company is in the process of making an assessment of the impact of these new and revised IFRS and IAS upon initial application. So far, it has concluded that while the adoption of the IAS 1 (Amendment) and IFRS 7 may result in new or amended disclosures, these new and revised IFRS and IAS are unlikely to have a significant impact on the Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to these consolidated financial statements.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as at fair value through profit or loss which have been measured at fair value.

Estimates and assumptions

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilised in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ from these estimates.

Basis of consolidation

The consolidated financial statements comprise the unaudited financial statements of all intermediate holding companies as at 31 December each year. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

Interest in joint venture

The Company has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

The Company has one joint venture, an investment in Hanoi Lake View which has been classified as at fair value through profit or loss and stated at fair value in accordance with IAS 39.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Company has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Financial instruments

(i) Classification

The Company has designated its financial assets and liabilities as at fair value through profit or loss in accordance with IAS 39.

The category of financial assets and liabilities at fair value through profit or loss comprises equities, bonds and warrants.

Financial instruments designated as at fair value through profit or loss upon initial recognition: These include financial assets or financial liabilities that are not held for trading, such as unlisted offshore investment funds, unlisted equity instruments and commercial paper. These financial instruments are designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis in accordance with the risk management and/or investment strategy as set out in the Company's offering document.

(ii) Initial measurement

Purchases and sales of financial instruments are accounted for at trade date. Realised gains and losses on disposals of financial instruments are calculated using the weighted average cost method.

Financial instruments categorised at fair value through profit or loss are measured initially at fair value, with transaction costs for such instruments being recognised in the income account.

(iii) Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at fair value through profit or loss, at their fair values. The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty, in the case of non-exchange traded instruments, at the balance sheet date without any deduction for estimated future selling costs.

Unlisted investments, for which an active "over-the-counter" market exists, are stated at fair values based upon price quotations received from an independent broker. Unlisted investments in property holding companies and shipping companies are stated at fair values based on their attributed share of the value of the underlying property assets as determined by professional appraisers' valuations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unlisted investments for which no active market exists are stated at the directors' estimate of fair value. The directors determine fair value after giving consideration to cost, market conditions, current and projected operating performance and expected cash flows. Because of the inherent uncertainty of such valuations, the directors' estimated fair values may differ significantly from the values for such investments had a ready market for these investments existed. As at the balance sheet date, unlisted investments representing 4.26% of the Company's net assets were subject to this assessment of their fair values.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the income statement.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of the meeting short-term cash commitments rather than for investments or other purposes.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Share premium

On the issue of shares, the difference between the issue price and the nominal value of the shares is credited to share premium, less any transaction costs directly attributable to the raising of the equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following basis:

(a) dividend income is recognised when the shareholders' right to receive payment has been established; and

(b) bank and bond interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Foreign currency translation

The functional currency and presentation currency of the Fund has been determined to be the United States Dollars ("USD") as the Company's share capital is raised in USD. The functional currency reflects the currency in which the Fund primarily generates and expends cash from its activities. Transactions in foreign currencies other than the functional currency are recorded at the rate ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Realised and unrealised exchanges gains or losses on foreign currency transactions are credited or charged to the consolidated income statement as foreign currency gains or losses. The rate of exchange in effect at 31 December 2006 was US$1 = VND16,043 (2005: US$1 = VND15,915).

Expenses

All expenses, including management fees and incentive fees, are recognised in the consolidated income statement on an accrual basis.

Related parties

A party is considered to be related to the Company if:

a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company, or (iii) has joint control over the Company;

b) the party is an associate;

c) the party is a jointly-controlled entity;

d) the party is a member of the key management personnel of the Company or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d);

f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

g) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is related party of the Company.

5. TRANSACTIONS WITH RELATED PARTIES

The Investment Manager, Enterprise Investment Management Limited, is responsible for identifying, making and monitoring investments on behalf of the Company. Dominic Scriven and John Shrimpton, directors of the Company, are also directors of the Investment Manager. Dominic Scriven and John Shrimpton are also shareholders and directors of Dragon Capital Group Limited ("Dragon Capital"), the holder of the management shares of the Company and the ultimate parent company of the Investment Manager. The Company has also invested in VF1, a listed investment which is managed by Vietfund Management Company in which Dragon Capital has a 49% stake.

During the year, the Investment Manager earned $49,086 for its participation on the Boards of a number of investments held by both classes of shares held in VGF.

During the year ended 31 December 2006, the Company sold holdings in Halong Canning to an independent broker, at arm's length for VND15,659,350,000 ($972,691). The Vietnam Growth Fund Limited, a company also managed by a subsidiary of the same parent company as the Investment Manager, then purchased these 447,410 shares from the broker at arm's length.

The Company sold holdings in Imexpharm to an independent broker, at arm's length for VND18,071,650,000 ($1,123,719). Vietnam Dragon Fund Limited, a company also managed by a subsidiary of the same parent company as the Investment Manager, then purchased these 286,500 shares from the broker at arm's length.

The Company also sold holdings in Chuong Duong Beverage Company to an independent broker, at arm's length for VND13,304,550,000 ($836,975). Vietnam Dragon Fund Limited then purchased these 76,026 shares from the broker at arm's length.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2006	*2006*	*2005*
	US$	*US$*	*US$*
Investments comprise the following:	Redeemable Shares	Conversion Shares	Redeemable Shares
Listed investments			
Investments, at cost	94,881,460	72,841,933	61,376,830
Unrealised gains	366,629,033	50,371,307	14,773,968
At fair value	461,510,493	123,213,240	76,150,798
Unlisted investments			
Investments, at cost	30,667,745	20,575,140	59,392,024
Unrealised gains	45,505,050	12,480,923	49,463,804
At fair value	76,172,795	33,056,063	108,855,828
Total investments at fair value	537,683,288	156,269,303	185,006,626

The valuations of investments are based on information known to the directors and market conditions existing at the balance sheet date.

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

Redeemable Share Portfolio Listed investments

As at 31 December 2006, the Company held the following listed investments

Listed Bonds		Fair Value US$	%NAV
ACB Convertible 8% 15/10/2011	**Bonds**	**59,717,806**	**11.49**
Top 10 Holding			
The largest commercial bank in Vietnam by market cap and balance sheet, offering retail and commercial banking via its 66 branches, 2,500 employees, 300 payment locations, and 455 correspondent banks in 100 countries.			
CII-Bond 8% 15/09/09	**Infrastructure**	**1,215,521**	**0.23**
A collector of tolls and fees on BOT projects, CII is the only listed company dedicated exclusively to infrastructure, whose business is centered on HCMC; the region which accounts for two-thirds of Vietnam's GDP and macro growth.			
		60,933,327	**11.72**

Overseas Listed Equities		Fair Value US$	%NAV
Olympus Pacific	**Natural Resources**	**9,358,975**	**1.80**
A Canadian mining junior focused on Vietnam, which comprises the Phuoc Son and Bong Mieu properties located near Danang. Their exploration programme began in 2006. Olympus Pacific is listed on the Toronto Stock Exchange.			
Tiberon	**Natural Resources**	**8,637,362**	**1.66**
Tiberon will be one of the world's largest low cost tungsten and fluorspar producers. Listed on the Toronto Stock Exchange, it owns a 70% interest in the Nuiphaovica project in North Vietnam, which will become the world's largest primary producer of tungsten and bismuth, as well as second largest producer of acid-grade fluorspar. (See Note 17).			
Asian Mineral Resources	**Natural Resources**	**3,559,367**	**0.69**
A New Zealand junior mining company listed on the Toronto Stock Exchange with 70% of the Ban Phuc Nickel Mines. The company has committed to exploration work, and is actively seeking other mineral resource acquisition opportunities in Vietnam and the Asia region.			
Vedan	**Food/Beverages**	**2,457,680**	**0.47**
Vedan is listed on the Hong Kong Stock Exchange, and is the number one producer of MSG in Vietnam, boasting a 60% home market share and a rough 55/45 split between domestic sales and exports. The company is now well into recovery after experiencing operational issues in 2004-05.			
Keeper Resources	**Natural Resources**	**1,010,178**	**0.19**
A Canadian mining junior focused on oil and gas exploration and production in Vietnam, and listed on the Toronto Venture Exchange. It is currently pursuing two large projects in Vietnam, bidding for Block 124 in offshore Khanh Hoa Province, and is involved with Petro Vietnam in the North of Vietnam regarding a coal bed methane exploration.			
VII	**Construction Materials**	**665,113**	**0.13**
An Australia-listed holding company with a geographical focus on Vietnam and majority control of four steel factories. Supplying a wide variety of industrial and steel products including steel roofing, wire rod, reinforcing steel bars, welded mesh, and fencing.			
Total		**25,688,675**	**4.94**

Vietnam Listed Equities		Fair Value US$	%NAV
ACB	**Banks**	**63,909,568**	**12.30**
Top 10 Holding			
The largest commercial bank in Vietnam by market cap and balance sheet, offering retail and commercial banking via its 66 branches, 2,500 employees, 300 payment locations, and 455 correspondent banks in 100 countries. 6,776,400 shares of ACB are pledged to Indovina Bank Limited as at 31 December 2006.			
Sacombank	**Banks**	**57,200,939**	**11.01**
Top 10 Holding			
Dynamic private-banking with explosive growth, septupling assets and strong pre-tax CAGR. An extensive branch network and three foreign strategics aid earnings, but non-stop capital-raisings and high cash levels are damaging ROE.			

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

Redeemable Share Portfolio Listed investments (continued)

Vietnam Listed Equities		Fair Value US$	%NAV
REE	**Property**	**54,721,432**	**10.53**
Top 10 Holding			
REE is a leader in investment property, specialising in commercial and office space. Originally an electro-mechanical contractor and white-goods manufacturer, it moved into real estate as its core businesses began to stagnate. 6,600,576 shares of REE are pledged to Indovina Bank Limited as at 31 December 2006.			
Vinamilk	**Food/Beverages**	**44,052,358**	**8.48**
Top 10 Holding			
Vinamilk is the largest listed industrial and the biggest national dairy producer. It has the top market share in all its main products, unequalised distribution, a top national brand name and rock-sold finances.			
Sacom Cable	**Telecoms**	**42,363,026**	**8.15**
Top 10 Holding			
Vietnam's biggest producer of copper telecom cables. Through its parent company, it has secured a 70% domestic market share, whilst building a manufacturing operation that is fully integrated and hugely cost-efficient.			
Gemadept *	**Transport**	**35,045,612**	**6.75**
Top 10 Holding			
Gemadept has the second largest ICD port operation in Vietnam, with a 16% market share in container throughput. In shipping services, Gemadept is the domestic leader in supplying agency services, and container liner transportation.			
VF1	**Investment Fund**	**20,809,411**	**4.00**
Top 10 Holding			
A $35m chartered capital closed-end fund managed by Vietfund Management; a 51:49 joint venture between Sacombank (listed above), and Dragon Capital. VF1 is local in terms of investor base and investment portfolio.			
Pha Lai Power	**Power**	**11,419,666**	**2.20**
Providing a critical 8% of Vietnam's generation capacity and 40% of the North, Pha Lai runs two highly efficient coal-fired thermal plants, with a total capacity of 1,040 MW. Output is sold to state monopoly EVN, which has a 78% stake.			
Vinh Son-Song Hinh	**Power**	**10,554,657**	**2.03**
A hydropower plant, converting kinetic power into electricity. It consists of two plants: Vinh Son and Song Hinh. For the foreseeable future, it will only produce electricity; all sold via Electricity of Vietnam (EVN) at a pre-determined price.			
CII	**Infrastructure**	**8,976,156**	**1.73**
A collector of tolls and fees on BOT projects, CII is the only listed company dedicated exclusively to infrastructure, whose business is cantered on HCMC; the region which accounts for two-thirds of Vietnam's GDP and macro growth.			
Agifish	**Agri-industries**	**7,023,134**	**1.35**
Agifish is one of Vietnam's the largest fish processing exporters, specialising in Tra and Basa catfish. Agifish has a wide product range of over 100 species, including frozen and fresh fillets and many other processed fish products.			
Concrete 620	**Construction Materials**	**6,921,603**	**1.33**
A leading supplier of concrete and contractor for infrastructure projects, with emphasis on bridge, road, and port construction. Projects include the prestigious My Thuan cable-stayed bridge, the Hai Van Tunnel, and Can Tho Bridge.			

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

Redeemable Share Portfolio Listed investments (continued)

Vietnam Listed Equities		Fair Value US$	%NAV
Thac Ba Power	**Power**	**5,187,602**	**1.00**
Operating a 120 MW hydro plant in northern Vietnam, output is mostly sold to state monopoly EVN, which has a 78% stake. Under this arrangement, strong demand growth is assured, as is a viable purchase agreement and low costs.			
Incomfish	**Agri-industries**	**3,679,530**	**0.71**
Primary business is the export of frozen food and seafood products to the E.C., U.S. and Japan. The company's leading partner is Fimex based in Soc Trang Province, which specialises in shrimp products.			
Savimex	**Commerce**	**2,322,534**	**0.45**
A top exporter of wooden furniture, its traditional market was Japan, and now expanding into the US and soon, the EU. Savimex more recently diversified into property development to support its operations and productivity during its low season.			
Halong Canning	**Food/Beverages**	**701,263**	**0.13**
As one of Vietnam's first manufacturing enterprises, Halong Canning is well established in its field with a product portfolio in excess of 100 products, ranging from canned fish, meat, fruit and vegetables, to the trusty spring roll.			
Total		**374,888,491**	**72.15**

* includes equity rights with a Market Value of US$2,261,363 and %NAV of 0.44

Redeemable Share Portfolio Unlisted investments

As at 31 December 2006, the Company held effective ownership interests in the following unlisted companies directly and/or indirectly through interests in various investment holding companies, all of which are incorporated in the British Virgin Islands.

Unlisted Equities		Fair Value US$	%NAV
Danao	**Property**	**12,015,000**	**2.31**
An owner of key tourism assets in Vietnam, including Riverside Apartment (Saigon), Sofitel Dalat Palace Hotel, Novotel Dalat Hotel, Dalat Palace Golf Club, Novotel Ocean Dunes Resort and Ocean Dunes Golf Club (Phan Thiet).			
Hanoi Lake View V	**Property**	**7,850,000**	**1.51**
A 70:30 Joint Venture and luxury apartments situated in one of Hanoi's most desirable locations, with high occupancy rates. Hanoi's limited supply of new properties will keep occupancy and rental income strong.			
Pacific Ocean V	**Transport**	**2,689,565**	**0.52**
Established in 2003 in the field of petroleum transport at a time when Government approval was hard to acquire for fully foreign-owned businesses. An arduous and time consuming process, but worthwhile based on its strong business activities to date.			
Qudos V	**Property**	**2,335,000**	**0.45**
A foreign partner with a 65% shareholding in Avalon, a property with a great central location in HCMC, which is well positioned for the city's main business district and the airport road.			
Glass Egg V	**Software**	**1,697,797**	**0.33**
A producer of computer games and subcontracted to world-class clients such as Mattel, Infogame, Electronic Arts, and Microsoft, with three development kits from the latter. As the market for gaming grows domestically, Glass Egg is well placed.			

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

Redeemable Share Portfolio Unlisted investments (continued)

Unlisted Equities		Fair Value US$	%NAV
VIFS	**Investment Fund**	**1,680,000**	**0.32**
Launched in the early 1990's, VIFS is an unlisted, Singapore-managed fund, operating as a closed-end venture and development capital investment.			
Global Cybersoft * V	**Software**	**1,303,440**	**0.25**
A software market leader, connecting a low-cost, high intelligence IT workforce in Vietnam with the Silicon valley experience, connections and clientele. Global Cybersoft is an expert in factory automation, PCB design and mobile applications/security.			
SilkRoad V	**Software**	**839,137**	**0.16**
A financial software company which has subsequently diversified into other computer-related areas such as data conversion and call-centres. Software has also moved beyond financial applications. SilkRoad may sell its data-conversion business.			
PDD V	**Property**	**530,363**	**0.10**
PDD owns an 11 storey office building in the central business district of HCMC. Smart and active marketing kept it afloat during the Asian crisis, and the company continues to keep occupancy above 90%.			
Betafund	**Non-bank Financial**	**34,706**	**0.01**
Having operated with a focus on investments in, or related to, Vietnam, the company was de-listed from the Dublin stock exchange at the end of 2002. It is in a lengthy wind up process running to a leisurely management timetable.			
Rickmansworth Limited	**Holding Company**	**731**	**0.00**
A 100% owned holding vehicle			
Total		**30,975,739**	**5.96**

V Please see page 28 for details relating to valuations applied to these holdings.

* includes preferred stock with a Market Value of $329,539 and %NAV of 0.06

Vietnam Unlisted Equities		Fair Value US$	%NAV
VP Bank	**Banks**	**26,086,955**	**5.02**
Top 10 Holding			
With over 13 years of operations, VP Bank has certainly had good times and bad, but is now benefiting from a more favourable environment allowing it to post a strong CAGR in terms of assets and underlying profit.			
Phuong Nam Bank	**Banks**	**16,283,529**	**3.13**
A customer base mainly of Chinese descent, Phuong Nam Bank has proven its capacity over time and is respected for its competence in the banking sector. Capital increases at the end 2006 will assist expansion and render it further competitive.			
WACO	**Infrastructure**	**1,438,036**	**0.28**
A leading private water exploration and treatment company; with reasonably modern technology. With high margin trading activities and proprietary products, we could see a move into the waste water treatment business.			
Total		**43,808,520**	**8.43**

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

Redeemable Share Portfolio Unlisted investments (continued)

Loans		Fair Value US$	%NAV
Duc Hanh V	**Transport**	**1,016,418**	**0.20**
Once a transportation and infrastructure operator, with a fleet of barges and a pozzolan quarry. VEIL successfully took Duc Hanh to Court for the recovery of an outstanding loan plus interest.			
Glass Egg 9% loan 28/10/09	**Software**	**340,000**	**0.07**
A producer of computer games and subcontracted to world-class clients such as Mattel, Infogame, Electronic Arts, and Microsoft, with three development kits from the latter. As the market for gaming grows domestically, Glass Egg is well placed.			
Total		**1,356,418**	**0.27**

Warrants		Fair Value US$	%NAV
Keeper Resources due 30/06/07	**Natural Resources**	**32,118**	**0.01**
A Canadian mining junior focused on oil and gas exploration in Vietnam. It has bid for Block 124 in offshore Khanh Hoa Province, and is involved with Petro Vietnam in the North of Vietnam.			
Total		**32,118**	**0.01**

V Please see page 28 for details relating to valuations applied to these holdings.

Conversion Share Portfolio Listed investments

As at 31 December 2006, the Company held the following listed investments:

Listed Bonds		Fair Value US$	%NAV
Agribank Bond loan 28/10/09	**Bonds**	**15,942,028**	**7.89**
As one of the largest state-owned banks, Agribank has played a decisive and important role in the growing sector of capital investment, whilst developing the agricultural and rural economy, together with other areas of Vietnam's economy. It is preparing for equitisation in 2010. The bond has a 10 year duration with an interest rate of 10.2% for the first five years, and 10.8% for the second five years.			
Total		**15,942,028**	**7.89**

Overseas Listed Equities		Fair Value US$	%NAV
Tiberon	**Natural Resources**	**4,754,176**	**2.35**
Tiberon is one of the world's largest low cost tungsten and fluorspar producers. Listed on the Toronto Stock Exchange, Tiberon owns a 77.5% interest in the Nuiphaovica project in North Vietnam. (See Note 17).			
Asian Mineral Resources	**Natural Resources**	**1,640,460**	**0.81**
A New Zealand junior mining company listed on the Toronto Stock Exchange with 70% of Ban Phuc Nickel Mines. The company has committed to exploration work, and is actively seeking other mineral resource acquisition opportunities in Vietnam and the Asia region.			
		6,394,636	**3.16**

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

Conversion Share Portfolio Listed investments (continued)

Vietnam Listed Equities		Fair Value US$	%NAV
Thu Duc House	**Property**	**20,086,472**	**9.95**
Top 10 Holding			
Thu Duc House is a leader in property development, operating mainly in the Hanoi and HCMC. With $120m in various development projects under way, one of its biggest assets is its land bank, estimated at 2-3 x carrying value.			
Sacom Cable	**Telecoms**	**18,450,988**	**9.14**
Top 10 Holding			
Vietnam's biggest producer of copper telecom cables. Through its parent company, it has secured a 70% domestic market share, whilst building a manufacturing operation that is fully integrated and hugely cost-efficient.			
Thang Long	**Telecoms**	**14,305,749**	**7.08**
Established in 2004 with a registered capital of $4m, this newcomer to the Telecoms Industry operates a factory in the Ha Tay province, near Hanoi, and currently runs two telecom cable production lines.			
Vinamilk	**Food/Beverages**	**11,517,998**	**5.70**
Top 10 Holding			
Vinamilk is the largest listed industrial and the biggest national dairy producer. It has the top market share in all its main products, unequalised distribution, a top national brand name and rock-sold finances.			
Bao Viet Security	**Non-bank Financial**	**7,981,299**	**3.95**
Established in 1999, Bao Viet has become the fifth largest listing in terms of capitalisation. Underwriting is top priority as is the upgrade of its software systems in anticipation of the continuous order matching system being introduced to Vietnam.			
Gemadept *	**Transport**	**7,050,041**	**3.50**
Top 10 Holding			
Gemadept has the second largest ICD/port operation in Vietnam, with a 16% market share in container throughput. In shipping services, Gemadept is the domestic leader in supplying agency services, and container liner transportation.			
Vinh Son-Song Hinh	**Power**	**5,409,205**	**2.68**
A hydropower plant, converting kinetic power into electricity. It consists of two plants: Vinh Son and Song Hinh. For the foreseeable future, it will only produce electricity; all sold to Electricity of Vietnam (EVN) at a pre-determined price.			
Bien Hoa Sugar	**Food/Beverages**	**5,341,915**	**2.65**
Quality improvements have propelled Bien Hoa into a local market leader, with refined sugar accounting for over 95% of revenues. The remainder comes from a forlorn attempt at diversification - wines, instant noodles, biscuits and fertilisers.			
Binh Minh Plastic	**Consumer Goods**	**3,423,366**	**1.70**
Established in 1977 via a merger of two companies, its current nomenclature came in 2004. Its main products are plastic pipes, pipe accessories including adhesives, and more diverse products such as insecticide sprayers and safety helmets.			
CII	**Infrastructure**	**2,986,427**	**1.48**
A collector of tolls and fees on BOT projects, CII is the only listed company dedicated exclusively to infrastructure, whose business is centered on HCMC; the region which accounts for two-thirds of Vietnam's GDP and macro growth.			

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

Conversion Share Portfolio Listed investments (continued)

Vietnam Listed Equities		Fair Value US$	%NAV
Pha Lai Power	**Power**	**2,685,620**	**1.33**
Providing a critical 8% of Vietnam's generation capacity and 40% of the North, Pha Lai runs two highly efficient coal-fired thermal plants, with a total capacity of 1,040 MW. Output is sold to state monopoly EVN, which has a 78% stake.			
Concrete 620	**Construction Materials**	**1,637,496**	**0.81**
A leading supplier of concrete and contractor for infrastructure projects, with emphasis on bridge, road, and port construction. Projects include the prestigious My Thuan cable-stayed bridge, the Hai Van Tunnel, and Can Tho Bridge.			
Total		**100,876,576**	**49.97**

***** includes equity rights with a Market Value of $454.912 and %NAV of 0.23

Conversion Share Portfolio Unlisted investments

As at 31 December 2006, the Company held effective ownership interests in the following unlisted companies directly and/or indirectly through interests in various investment holding companies, all of which are incorporated in the British Virgin Islands.

Vietnam Unlisted Equities		Fair Value US$	%NAV
Vinaconex	**Construction Materials**	**18,863,955**	**9.34**
Top 10 Holding			
A leading player in the construction sector, with majority stakes in 45 companies, 24 subsidiary companies and 15 affiliate companies. Its strong national coverage encompassing all major cities, makes it a serious contender on both coverage and price.			
VF2	**Investment Fund**	**10,098,015**	**5.00**
VF2 is the second closed-end fund managed by VFM, a 51:49 joint venture between Sacombank (listed prior) and Dragon Capital. VF2 is an unlisted member fund, with similar investment strategies to VF1 (See R-Share Listing).			
Tay Ninh Rubber	**Agri-industries**	**3,602,929**	**1.78**
A major player in rubber exports, with wide plantation, high rubber yield, and high profitability. Unlike its competitors, it does not buy latex from outside. Yields of 1.98 tons/ha versus the average yield of the Vietnam rubber industry of 1.5-1.6 tons/ha.			
Vitaco	**Transport**	**491,164**	**0.24**
The outlook of Vietnam's largest ocean petroleum transporters is very positive, due to its excellent fleet of sizeable, young tankers which all meet international transport standards and no shortage of business as the economy continues to expand.			
Total		**33,056,063**	**16.36**

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

The Company's interest in the following investments are partially held through 100% interests in Dragon Financial Holdings Limited, Veil Holdings Limited, Venner Group Limited, Grinling International Limited, Wareham Group Limited and Goldchurch Limited, all of which are investment holding companies incorporated in the British Virgin Islands.

Issuer:	Held by:
Concrete 620	Wareham Group Limited
	Grinling International Limited
ACB Convertible Bond	Dragon Financial Holdings Limited
Agribank	Grinling International Limited
Agifish	Directly by the Company
	Wareham Group Limited
ACB	Dragon Financial Holdings Limited
Bien Hoa Sugar	Grinling International Limited
	Wareham Group Limited
Binh Minh Plastics	Grinling International Limited
Sacom Cable	Directly by the Company
	Wareham Group Limited
Gemadept	Wareham Group Limited
	Grinling International Limited
Halong Canning	Goldchurch Limited
CII	Directly by the Company
	Grinling International Limited
Incomfish	Directly by the Company
	Goldchurch Limited
	Wareham Group Limited
Pha Lai Power	Directly by the Company
	Grinling International Limited
Phuong Nam Bank	Dragon Financial Holdings Limited
REE	Venner Group Limited
	Veil Holdings Limited
	Wareham Group Limited
Sacombank	Dragon Financial Holdings Limited
Savimex	Wareham Group Limited
Thu Duc House	Grinling International Limited
VP Bank	Dragon Financial Holdings Limited
Vinamilk	Directly by the Company
	Grinling International Limited
VF1	Directly by the Company
	Wareham Group Limited
Vitaco	Grinling International Limited
Vinaconex	Grinling International Limited
Vinh Son-Song Hinh	Directly by the Company
	Grinling International Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

7. CASH AND CASH EQUIVALENTS

	2006	*2005*
	US$	*US$*
Cash on demand	22,483,817	6,403,580
Time deposits	51,870,033	741,439
	74,353,850	7,145,019

Cash and cash equivalents comprise $50,000,000, placed on time deposit at Fortis Prime Fund Solutions Bank (Ireland) at rates between 5.05% and 5.15% per annum. A further VND30,000,000,000 (equivalent to $1,870,033) is placed in time deposits with HSBC Ho Chi Minh City Branch, at an interest rate of 7% per annum.

Cash on demand earns interest at variable interest rates.

8. INTEREST-BEARING LOAN

	2006	2005
	US$	US$
Portion classified as current liabilities	-	4,000,000
Non-current portion	-	-
	-	4,000,000

On 3 December 2001, a loan agreement to borrow up to $12,000,000 from the IFC was entered into by the Company. The loan bore interest at 5% per annum and interest payments commenced on 15 September 2002, resulting in interest expense of $91,276 (2005: $294,835) for the year. The loan was repayable biannually in six consecutive installments of $2,000,000 each, commencing on 15 March 2004 and ended on 15 September 2006. As such, $4,000,000 was repaid in the current year, repaying the total outstanding balance.

In addition, the IFC was entitled to an income participation fee. The income participation fee is calculated by multiplying the percentage increase in net assets over the year by the average outstanding loan during the year, and subtracting the interest paid on the loan. The income participation fee is capped at 14% of the average outstanding loan during the year less interest payments. The income participation fee for the year ended 31 December 2006 was $160,717 (2005: $518,706).

9. ISSUED SHARE CAPITAL

	2006	2005
	US$	US$
Authorised:		
300,000,000 (2005:200,000,000) redeemable shares of $0.01 each	3,000,000	2,000,000
150,000,000 (2005:600,000) conversion shares of $0.01 each	1,500,000	600,000
1,000 management shares of $0.01 each	10	10
	4,500,010	2,600,010
Issued and fully paid:		
119,990,000 (2005: 109,090,000) redeemable shares of $0.01 each	1,199,900	1,090,900
150,000,000 conversion shares of $0.01 each	1,500,000	-
1,000 management shares of $0.01 each	10	10
	2,699,910	1,090,910

A summary of the transactions during the year with reference to the above movements in the Company's issued share capital is as follows:

	Redeemable shares	Conversion shares
At 1 January 2005	99,175,462	-
Issue of redeemable shares	9,914,538	-
At 31 December 2005 and 1 January 2006	109,090,000	-
Issue of conversion shares	-	150,000,000
Issue of redeemable shares	10,900,000	-
At 31 December 2006	119,990,000	150,000,000

The Company issued a further 10,900,000 redeemable shares on 21 December 2006 at a price of $4.16 each, based on the closing NAV per share as at 30 November 2006, plus an 8.1% premium to the NAV as at 30 November, 2006.

The Company issued 120,000,000 conversion shares on 10 July 2006, at a price of $1.00 each.

The Company then issued a further 30,000,000 conversion shares on 29 September 2006, also at a price of $1.00 each.

The conversion shares will be converted into redeemable shares on the Conversion Date, 30 April 2007, taking into account the respective net asset values of the redeemable shares and the conversion shares as at the Conversion Date. Holders of conversion shares will be issued sufficient new redeemable shares to reflect the existing net asset value of each class of share on the Conversion Date. The new redeemable shares arising on conversion of the conversion shares will rank pari passu in all respects with the existing redeemable shares.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Particulars of the profit attributable to the different classes of shares for the year ended 31 December 2006 and 2005 are as follows:

	Year ended 31 December 2006 Conversion shares US$ Year	Year ended 31 December 2006 Redeemable shares US$ Year	Year ended 31 December 2005 Redeemable shares US$ Year
INCOME			
Bond interest income	314,772	328,543	618,609
Dividend income	175,649	6,938,480	4,430,251
Other interest income from investments	-	129,866	85,955
	490,421	7,396,889	5,134,815
Bank interest income	1,921,271	209,725	223,374
TOTAL INCOME	2,411,692	7,606,614	5,358,189
EXPENSES			
Administration fee	(89,284)	(389,658)	(179,953)
Audit fee	(20,655)	(47,345)	(50,092)
Custodian fee	(24,047)	(123,846)	(74,615)
Directors' fees	(10,379)	(61,539)	(93,156)
Incentive fee	(11,694,396)	(68,697,099)	(4,171,977)
Income participation fee	-	(160,717)	(518,706)
Interest expense on a loan	-	(91,276)	(294,835)
Legal and professional fees	(71,577)	(135,707)	(130,298)
Management fee	(1,403,568)	(6,108,155)	(2,953,414)
Withholding tax expense	-	(100,706)	(12,430)
Other operating expenses	(31,946)	(164,666)	(144,772)
TOTAL EXPENSES	(13,345,852)	(76,080,714)	(8,624,248)
NET LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES	(10,934,160)	(68,474,100)	(3,266,059)
INVESTMENT AND EXCHANGE GAINS / (LOSSES)			
Exchange gains / (losses), net	43,513	869,119	(2,215,885)
Realised gains on listed investments	-	11,381,550	1,722,916
Change in unrealised gains on listed investments	50,371,307	351,855,065	7,906,357
Change in unrealised gains on unlisted investments	12,480,923	(3,958,754)	41,989,872
Provision for impairment loss	-	(279,106)	-
PROFIT FOR THE YEAR	51,961,583	289,656,536	46,137,201

11. NET ASSET VALUE

Redeemable Share

The calculation of the net asset value per redeemable share is based on the net assets attributable to the redeemable shares as at 31 December 2006 of $ 519,609,873 (2005: $184,609,338) and 119,990,000 (2005: 109,090,000) redeemable shares in issue as at that date.

Conversion Share

The calculation of the net asset value per conversion share is based on the net assets attributable to the conversion shares as at 31 December 2006 of $201,961,583 and 150,000,000 conversion shares in issue as at that date.

12. FEES

The management, incentive, administration and custodian fees are calculated based on the net asset value attributable to each class of shares of the Company (the "Net Asset Value").

Management fee

Enterprise Investment Management Limited is entitled to receive, monthly and in arrears, a management fee equal to 2% per annum of the Net Asset Value attributable to each class of shares of the Company and 2% per annum on the loan principal outstanding to the IFC. At 31 December 2006, no management fee (2005: Nil) was payable to Enterprise Investment Management Limited.

Incentive fee

In addition to the management fee, Enterprise Investment Management Limited is also entitled to receive an incentive fee, which should be calculated by the administrator as at the end of each accounting period.

The incentive fee will be 20% of the amount of N in the following equation, provided that N is a positive figure:

N = O – P,

where:

N is the relevant amount against which the incentive fee will be calculated;

O is the Net Asset Value of the redeemable and separately conversion shares (each class calculated separately) on the last valuation day in that accounting period plus the net asset value of all distributions made in respect of such shares in all prior years by way of a dividend, or a return of capital, or otherwise;

P is an amount equal to the sum of:

i) amount of O previously determined in calculating the most recent incentive fee actually paid, compounded at the rate of 8 percent per annum with effect from the valuation day by reference to which that most recent prior incentive fee was calculated; and

ii) any amounts of capital raised by the issue of new redeemable shares during the period since the valuation day referred to at (i) above, exclusive of placing fees, compounded at the rate of 8 percent per annum with effect from the date of issue of those shares until the last valuation day in that accounting period.

In order for an incentive fee to have been payable in respect of the year ended 31 December 2006, the Net Asset Value of the redeemable shares of the Company needed to exceed $2.04 (2005: $1.54) per redeemable share. As at 31 December 2006, the Net Asset Value of redeemable shares was $4.33 (2005: $1.69 per redeemable share). The incentive fee of the redeemable shares incurred for 2006 was $68,697,099 (2005: $4,171,977).

In order for an incentive fee to have been payable in respect of the conversion shares for the year ended 31 December 2006, the Net Asset Value of the conversion shares of the Company would need to have exceeded $1.04 As at 31 December 2006, the Net Asset Value of the conversion shares was $1.35 per conversion share. The incentive fee of the conversion shares incurred for 2006 was $11,694,396.

12. FEES (continued)

The Investment Management Agreement

The investment management agreement may be terminated by mutual agreement or by either party forthwith by written notice if the investment manager or the Company becomes unable to pay its debts or becomes bankrupt; or if a receiver is appointed over any of their assets, or if either party commits a material breach of the investment management agreement without remedying such breach within 30 days of receipt of such written notice to do so.

In addition, the investment management agreement may be terminated by the Company if the investment manager is negligent in the performance of its duties in a manner which results in a substantial loss (in the opinion of a majority of the board of directors) incurred by the Company or if the investment manager goes into involuntary liquidation.

In the event of the termination of the investment management agreement without cause, the Company shall pay the investment manager a sum equal to 10% of the amounts raised pursuant to all placings of all shares of the Company to which the investment management agreement relates by way of liquidated damages, in full and final satisfaction of all claims of the investment manager.

Directors' fees

The fees payable to the board of directors as a whole are subject to a maximum aggregate amount of $150,000 per annum. Dominic Scriven and John Shrimpton have permanently waived their rights to receive directors' fees for their services as directors of the Company. At 31 December 2006, no directors' fees (2005: $26,281) remained payable to the other directors.

Administration fee

Fortis Prime Fund Solutions (Cayman) Limited is entitled to receive a fee of 0.12% of the Net Asset Value per annum (2005: 0.12%), payable monthly in arrears, subject to a minimum monthly fee. At 31 December 2006, an administration fee of $59,033 (2005: $18,188) remained payable to Fortis Prime Fund Solutions (Cayman) Limited.

Custodian fee

Fortis Prime Fund Solutions Bank (Ireland) Limited is entitled to receive a fee of 0.03% of the Net Asset Value per annum, subject to a minimum monthly fee. At 31 December 2006, a custodian fee of $14,758 (2005: $6,367) remained payable to the Custodian.

13. TAX

Under the current law of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains and no withholding taxes will be imposed on distributions by the Company to its shareholders or on the winding-up of the Company.

Due to a change in Government legislation, the Company is no longer subject to 10% withholding taxes on the interest received from the Vietnamese Investee Companies. Dividends remitted by Vietnamese Investee Companies to foreign investors are not subject to withholding taxes.

If the Company disposes of its interests in its BVI subsidiaries, any gain will not be subject to income tax or capital gains tax.

14. BASIC EARNINGS PER SHARE

Redeemable shares

The calculation of basic earnings per redeemable share for the year is based on the net profit for the year attributable to the redeemable shares of $289,656,536 (2005: $46,137,201) and the weighted average of 109,418,493 (2005: 101,575,449) redeemable shares in issue during the year.

Conversion shares

The calculation of basic earnings per conversion share for the year is based on the net profit for the year attributable to the conversion shares of $51,961,583 and the weighted average of 136,114,286 conversion shares in issue during the year.

15. FINANCIAL ASSETS AND LIABILITIES

The Company is subject to market risk, liquidity risk, interest rate risk, credit risk and foreign currency risk, as the Company invests in listed and unlisted investments in Vietnam, Hong Kong, Canada and Australia.

The Company has formulated risk management policies and guidelines which govern its overall business strategies, its balance for risk and its general risk management philosophy and has established processes to monitor and control transactions in a timely and accurate manner.

(a) Market risk

Market risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual assets or factors affecting all assets in the market.

The Company is exposed to market risk on all of its listed investments and certain unlisted investments for which an active "over-the-counter" market exists. This market risk relates to the Vietnam Stock Exchange and other stock exchanges where the Company's investments are listed, and in the case of unlisted investments, the over-the-counter market.

(b) Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in raising funds to meet commitments associated with financial assets. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company is exposed to liquidity risk on its unlisted investments and certain listed investments which are not actively traded. Details of the Company's financial assets at fair value through profit or loss are set out in note 6 to the consolidated financial statements.

(c) Interest rate risk

Interest rate risk is the risk that the value of interest-bearing assets will fluctuate in value and future cash flows on interest bearing assets will fluctuate as a result of changes in interest rates. The Company has manageable exposure to interest rate risk on its cash at bank of which the interest rates are variable. None of the Company's liabilities are subject to interest rate risk.

Financial assets at fair value through profit or loss - debt instruments:

Effective interest rate		**Maturity date**		**Total**
% per annum	Within 1 year	1 to 5 years	Over 5 years	
	US$	US$	US$	US$
8.00 – 10.2%	-	60,933,327	15,942,028	76,875,355

(d) Credit risk

Credit risk is the risk that a party to a financial asset will fail to discharge its obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its loans receivable from its unlisted investee companies amounting to $1,356,418 and the cash placed in the financial institutions. The carrying amounts of the loans and bank balances represent the maximum amount of credit risk faced by the Company.

15. FINANCIAL ASSETS AND LIABILITIES (continued)

(e) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on investments of which the local currency is not United States Dollars.

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

	Fair Value 2006 US$	Fair Value 2005 US$
Financial assets at fair value through profit or loss:		
Vietnamese Dong	632,194,570	137,360,564
Hong Kong Dollar	2,457,680	2,363,789
Canadian Dollar	28,992,636	15,701,527
Australian Dollar	665,113	686,443
	664,309,999	156,112,323
Cash and cash equivalents:		
Vietnamese Dong	3,886,487	282,116
Hong Kong Dollar	115,293	52,339
Canadian Dollar	109	3
Australian Dollar	42,783	37,783
	4,044,672	372,241

16. RISK MANAGEMENT

The Company attempts to limit its risks through a number of strategies. The Company and its investment manager practise portfolio diversification, and have adopted a range of appropriate investment restrictions and policies, including limiting the Company's cash investments in any one investment to not more than 20% of the Company's capital. Nevertheless, the markets in which the Company operates and the investments that the Company makes are often inherently risky, and there can be no assurance that the Company will not suffer a loss as a result of one or more of the risks described above, or as a result of other risks not currently identified by management.

17. POST BALANCE SHEET EVENTS

On 19 December 2006, Dragon Capital Management Limited and Tiberon Minerals Limited announced that investment funds managed by Dragon Capital, including VEIL, had agreed to make an offer to acquire all of the issued and outstanding common shares of Tiberon at a cash price of C$3.65 per common share.

The cash consideration represented a 53% premium over the closing share price of Tiberon common shares on October 17 2006 and a 52% premium over the Company's last equity financing completed in July 2005. Tiberon had approximately 78.3 million common shares outstanding on a fully diluted basis, representing a total equity value of approximately C$286 million (or C$251 million excluding those Tiberon shares already owned by the Dragon Capital Funds, including VEIL). Tiberon's Board of Directors unanimously determined that the offer was fair and recommended that Tiberon shareholders accept the offer.

On 12 February 2007, the take-over bid was validly accepted by holders of Tiberon common shares.

18. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 April 2007.

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