

VIETNAM ENTERPRISE
INVESTMENTS LIMITED

ANNUAL REPORT 2009



DRAGON
CAPITAL **15**
1994 - 2009

In 2009, Dragon Capital celebrated 15 years of growth. Formed at the time of the Mexican 'Tequila Crisis', and being the only Vietnam-dedicated fund manager to survive the Asian Crisis, we are no stranger to adversity and challenge.

At our formation, Vietnam's GDP per capita was US\$227, and a stockmarket was six years in the future. GDP per capita has now breached US\$1,000, ports and airports teem with evidence of the country's role in international trade and investment, and Vietnam is now a recognised global citizen. Dragon Capital was established to be part of this growth. Our mission has always been to seek out investment strategies that provide long term returns, exceeding the national growth rate; and to do so with high regard for sustainable alignment of the interests of the country, and of our investors.

From an initial base of US\$16m and eight staff, Dragon Capital evolved into a diversified asset manager with US\$1.5bn assets under management and a headcount in excess of 100 at the end of December 2009. We have offices in Ho Chi Minh City, Hanoi (regulated by Vietnam's States Securities Commission), and in the United Kingdom (regulated by the FSA). Foreign and Vietnamese professionals cover all significant markets and sectors (public and private equity, fixed income, resources, property, renewables, and infrastructure); and all required skill sets (client service, economics, investment modelling, origination, legal, mid-office, valuation and governance). The Company is owned 85% by management and staff, with the balance held by the World Bank's IFC, and the French government's development finance entity, Proparco.

Analysis and thought, engagement and commitment, integrity, execution and performance remain the core standards by which Dragon Capital judges itself. We have invested in nearly 100 companies, most of which were self-originated, and retain seats on 25 boards. We have become a leading governance proponent, are a trusted Government partner in capital market development, and retain strong institutional links at all levels of Government. Partly as a result of this, in 2003, Dragon Capital was entrusted with Vietnam's first domestic asset management licence, in partnership with domestic giant, Sacombank.

In keeping with our founding principles, Dragon Capital's view of the future remains based on our fundamental values, and geared towards playing a continued role in the development of a great nation. The very foundation of this vision rests firmly on continuing to provide service and value to our clients and we thank you deeply for your support, patience and perseverance.



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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, and currently supports the Mungcharoen Green Power Biomass Energy Plant in Thailand. This renewable energy plant converts agricultural wastes, such as rice husk, into green electricity supplied to the power grid. The project also provides an important additional source of income for the local farmers, and the waste ash, provided free to the farmers, becomes an important soil conditioner. The project will generate 72,000 carbon credits over its projected lifetime and won the Thailand Energy Award in 2008. Emissions reductions from the project are verified and certified to the Voluntary Carbon Standard. Dragon Capital is committed to supporting emissions reductions projects in Vietnam, as soon as they become available.

Summary of Financial Information

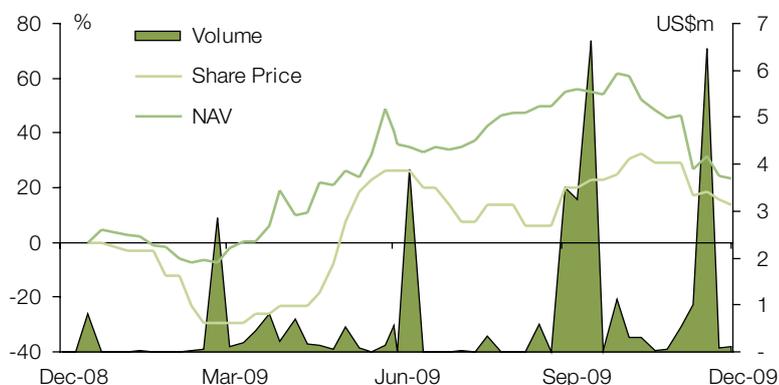
Performance

	31 December 2009	31 December 2008	% Change
Total Net Assets	US\$435,360,428	US\$365,009,819	19.27%
Number of Outstanding Shares	173,823,000	173,823,000	-
Net Asset Value per Share	US\$2.50	US\$2.10	19.27%
Share Price (Mid-Price)	US\$1.85	US\$1.63	13.50%
Discount	(26.00)%	(22.38)%	(16.78)%
US\$/VND Exchange Rate	18,479	17,485	5.68%
VN Index (Price Return - VND Term)	494.77	315.62	56.76%
VN Index (Total Return - US\$ Term)	-	-	51.61%

Period's High and Low (US\$)	Year to 31 December 2009		Year to 31 December 2008	
	High	Low	High	Low
Net Asset Value per Share	3.40	1.94	5.34	2.10
Share Price (Mid-Price)	2.15	1.15	5.35	1.63

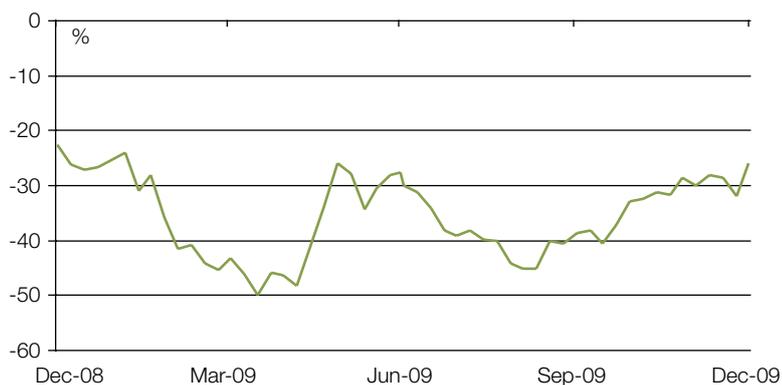
Source of Income (US\$)	31 December 2009	31 December 2008	% Change
Dividend Income	7,959,550	12,851,138	(38.06)%
Bond Interest Income	1,401,560	1,554,155	(9.82)%
Bank Interest Income	170,273	1,074,226	(84.15)%
Other Income	854,282	1,094	77,987.96%
Total	10,385,665	15,480,613	(32.91)%

Share Price & NAV



Source: Dragon Capital

Discount of Price to NAV



Source: Dragon Capital

VN Index
494.77

NAV per Share
US\$2.50

Share Price (Mid-Price)
US\$1.85

Chairman's Statement

I am delighted to present VEIL's annual report and financial statements for the year ended 31 December 2009.

Vietnam had a challenging year in 2009 - at least at the end and the beginning, though in between it did exceptionally well. There were sharp losses in January-February, per the global meltdown. But then the market rallied along when the country's Government followed the rest of the world in aggressive reflation. For quite a few months Vietnam's stock markets outperformed most others, including the great majority of its counterparts in Asia. In fact the country was not as hard-hit by the global recession as its peers, thanks to its more rudimentary macro structure, its broad domestic sector and its vast hoard of hidden wealth. This was evinced by better data on GDP, IP, exports and retail sales throughout the first three quarters of the year. By October, as its VN Index was peaking, Vietnam was one of the best-performing markets world-wide, nearly doubling from end-2008 and on staggering levels of volume too - more than US\$500m on a few days.

The boom, however, was partly a function of pumped-up liquidity. As the fourth quarter rolled on it became apparent that Vietnam's rebound was vulnerable to the financial disconnections that often seem to dog the country in this early phase of its developmental process. The fiscal stimulus brought back the familiar problem of twin deficits combined with inflation. Within this mix, the trade gap was further aggravated when investors ran mad on gold speculation. It was not long before the currency needed one of its occasional adjustments and was devalued by a few percent, with the authorities also tightening policy quite forcefully. The market plunged and at its worst was down by almost a third from its peak. It clawed back some of these losses but by the end of the year it was only up 51.6% on a dollarised total-return basis, whereas many of its peers rose 70-80%.

This was still a creditable result, but it was unfortunate that VEIL did not fully reflect it, finishing the year up by only 19.3%. This was due to four factors.

- Most importantly, the substantial mark-down in VRICL-Tiberon. There were write-downs of a total 65.4% on the back of licensing issues, continued financing delays and modest weakness in mineral prices.
- The heavy historical commitment to banks. This sector led the market in 1H09 but fell away in 2H09. That was due to concerns about monetary curbs and loan growth ceilings being implemented as the Government's fiscal stimulus program exacerbated inflation and the trade deficit. Plus there was an observable deterioration in spreads between deposit rates on the one hand, and capped lending rates on the other.
- An underweight in property. Real estate is at any time a highly speculative sector and one we were wary of after its crash in 2008. It nonetheless motored throughout the year, as a key beneficiary of liquidity injections.
- A large cash position held for some time after the market had bottomed. We remained cautious about the sustainability of the rally but it proved to have legs.

2009 was the only year in its history that VEIL significantly underperformed the VN Index, when investing new funds was not a factor. So far this year VEIL is much closer to the dollarised benchmark, with only a marginal lag that is based once again upon the overweight in banks. Banks will continue to be held as a strategic long-term overweight because the manager expects that over time, they will lead substantial outperformance against the market. This will be the result of the financial sector expanding to mobilise the huge amount of private wealth that remains outside of the system via cash-dollar and gold savings. Harnessing this capital will be one of the main drivers of economic growth in Vietnam.

Richard McKegney
Chairman
Vietnam Enterprise Investments Limited
10 June 2010

Investment Manager's Report

The Economy - Streets Paved with Gold

In the last annual report we described the outlook for the 2009 market as 'frosty'. However, prospects considerably improved in the second quarter after the Government announced a generous stimulus program comprising tax breaks, credit subsidies and increased fiscal spending economic. The result was a solid 5.3% expansion in GDP against some forecasts of 3% or less. The construction sector after a flat performance during the 2008 credit freeze grew by 11%. Meanwhile the all important manufacturing sector, which represents 25% of total output, saw only a 3% increase-the lowest level growth recorded in 20 years. The sector began rebounding in fourth quarter and should carry the economy in 2010. East Asian manufacturing is experiencing increased price pressure, and Vietnam as a low cost producer is primed to benefit from companies consolidating production in the country.

The predictions of economic Armageddon never drew much water given the structure of the economy. Most of the country is still employed on small farms and in small businesses, which tend to be highly responsive to economic conditions, have very low levels of debt and most interestingly have diversified assets. The US\$ is a known component of savings and account for an astonishing 27% of official deposits. More unique to Vietnam is the country's gold stock, which we assume at over US\$35bn of monetised gold taels in circulation, a remarkable 40% of GDP. So despite all the volatility in Vietnam's financial system, consumption continued growing strongly with retail sales increasing 33% in 2008 and 24% in 2009. In other words, the wealth destruction from a financial collapse that usually impedes GDP growth was low because Vietnam's wealth was effectively hedged by diversified savings.

The abundance of foreign assets relative to debt helped sustain the financial system during the global financial crisis. The normal experience in emerging markets is a financial boom-bust accompanied by currency devaluation. This hasn't materialised in Vietnam despite prognostications. And we've seen this once before when the sovereign debt market collapsed in the 2Q08 from foreigner investors selling bonds en masse. The market recovered as the domestic banking system stabilised the market.

But with Vietnam's growth dependent on investment, the risk in 2009 was that a weak foreign capital flow would slow economic expansion. The policy option was to drop lending rates and lean more on domestic savings to push growth, and doing so implies an expansion in the money supply and a weakening in the currency. The State Bank of Vietnam ("SBV") was able to supplement the credit loosening but at the expense of reserves, at least a 30% decline over the year. But by mid year, an interesting thing happened with deposit rates, banks began paying out 4% yield on gold. The result was a 300% growth in physical gold deposits at banks to US\$3.2bn, or 10% of total taels in circulation. Effectively the financial system was able to leverage onshore gold savings. This trend mixed with the SBV's resolve to support the currency netted a stimulus with only moderate depreciation, a mild 6% over the year.

The influence of Vietnam's diversified onshore foreign currency assets (and, yes, we consider gold a currency in Vietnam) continues to be a topic of debate. However, what is becoming increasingly clear is that changes in demand across gold, US\$ and VND have a much more immediate influence on the FX market than more conventional trade flows. With banks holding a net onshore gold short, the November run in world gold prices to US\$1,200/oz. temporarily caused the FX VND/US\$ transaction rate to trade some 10% above the official trading band. Though the run up in gold price in 4Q09 might have caused a sharp spike in the FX market, it also netted a US\$3bn gain for Vietnamese private savings. Managing these onshore foreign capital pools will become as important a job for the SBV as managing foreign capital flows. It is a tricky game to deal with these type of adjustments, especially with such a large stock outside the financial system. Already the SBV has introduced a broad range of new policies to manage money demand shocks, such as the recent switch to deposit rate controls.

Progress on modernising the financial institutions during 2009 was remarkable. The SBV is now very focused on stabilising interbank rates; and has among others introduced new policies to ensure liquidity at smaller banks. Further the VND3trn minimum capital requirement for banks by the end of 2010 will be enforced. Compared to the compulsory bond in 2008, there is no doubt that the SBV has become more skilled at shepherding money markets. As a result interbank liquidity has expanded and banks are trading on much longer durations. Now there is a much healthier core for the financial system and foundation for thriving a capital markets reflected by equity and bond markets trading US\$200-500m per day with negligible participation by foreign investors.

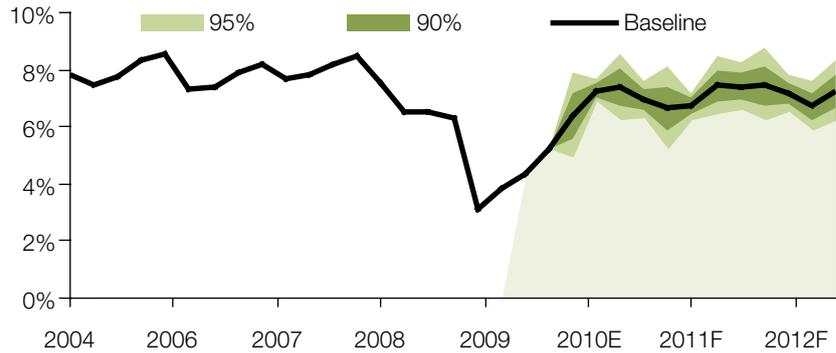
As we enter 2010 Vietnam is on the verge of a major overhaul of its financial infrastructure. So far the SBV announced that borrowing rates will be fully negotiable, effectively redrafting the basis of monetary policy. While the shift to market based interest rates won't immediately stimulate growth it will inevitably lead to a better allocation of credit than under the previous system. Banks will be able to make higher risk loans to entrepreneurs with ideas rather than to companies rich with collateral - boding well for productivity increases in the future.

The interesting lesson of watching Vietnam through both its own financial crisis and then the global one is that it is refining the country's investment thesis. Last year proved that the national foreign asset position is hugely significant for consumption, financing, and investment. Domestic savings outside the financial system provide a fully independent capital flow not subject to shifts in world markets or sovereign debt problems in the Mediterranean. As this money finds its way from the households to the banks, markets will deepen and domestic private investment will become the defining feature of growth.

Investment Manager's Report (Continued)

Real GDP Growth

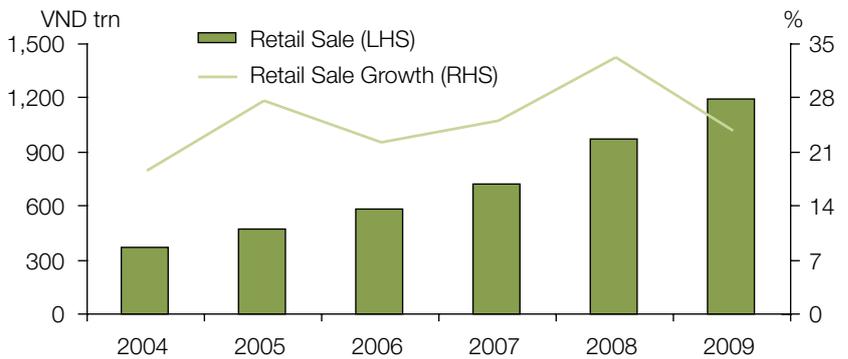
With falling external and internal demand, real GDP growth in 2009 slowed to 5.3%, the lowest in 11 years. GDP bottomed in the first quarter at 3.1%, with an aggressive stimulus package restarting construction growth after a severe collapse in 2008. Manufacturing however, remain depressed, posting the lowest growth in 20 years. As manufacturing accounts for 25% of total GDP, we forecast a rebound to push 2010 growth towards 6.9%.



Source: Dragon Capital, General Statistics Office

Retail Sales

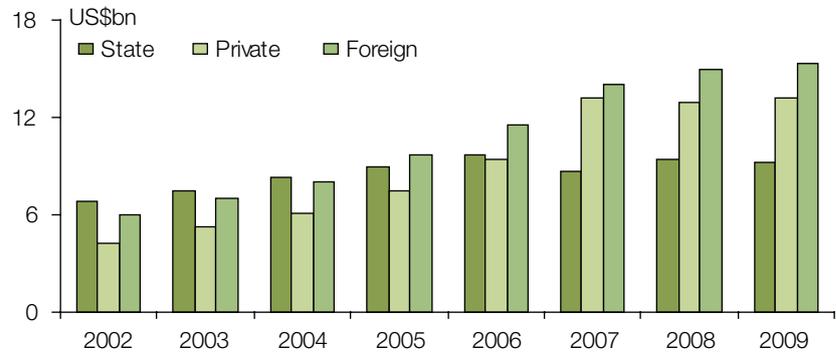
Retail sales grew 23% in VND terms which is extremely encouraging given such a challenging year. The consistency of this figure through two years of financial difficulties adds more credence to our view that Vietnam's diversified savings base (in VND, US\$ and gold) has helped hedge wealth from financial turbulence. We expect retail sales growth to remain steady in 2010 due to higher borrowing costs.



Source: Bloomberg

Industrial Production

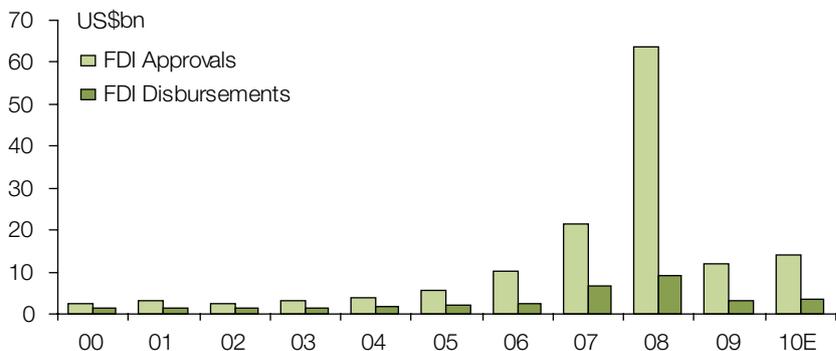
Industrial production posted growth of 7.6%, driven by the foreign and private sectors. In 1Q09, production saw a sharp decline in construction related sectors such as steel and cement. But as the stimulus package took hold, inventories were rapidly depleted leading to increased production by the second quarter.



Source: Bloomberg

Foreign Direct Investment

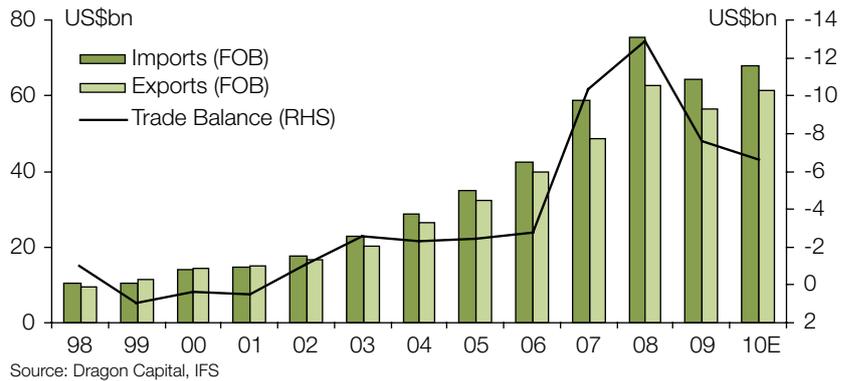
After skyrocketing in 2008, FDI pledges and disbursements fell significantly in 2009 as a result of global recession. Full numbers are not yet released. We currently estimate under US\$4bn for 2009. As global recovery is expected to be slow, FDI flow is likely to improve modestly in 2010 with our estimate currently near US\$5bn.



Source: Bloomberg, International Financial Statistics ("IFS")

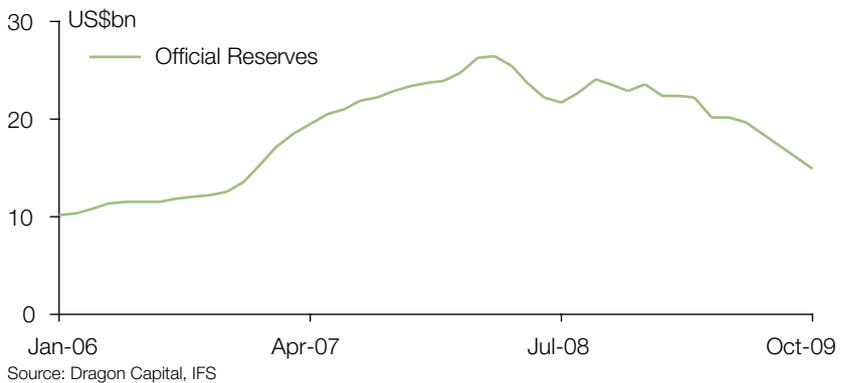
Transition in the Trade Account

As the world entered its worst recession since WW2, world trade fell dramatically. Vietnam exports fell 9.5%, whilst imports fell harder at 12%. Nevertheless, the year ended with an US\$8.1bn trade deficit (FOB) largely during the third quarter when the stimulus package restarted investment and inflows of capital goods.



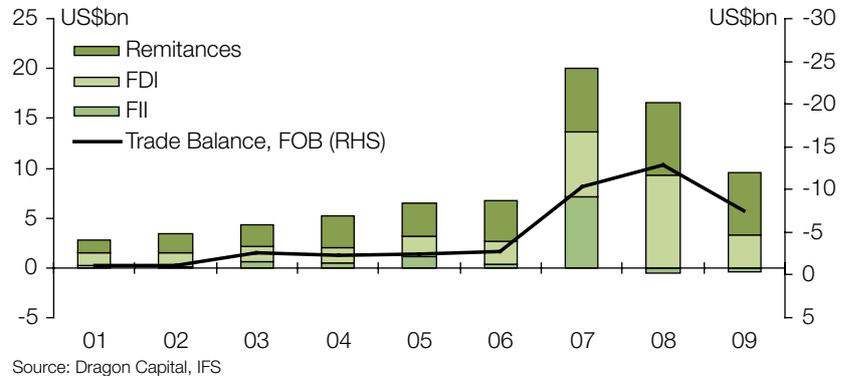
Foreign Currency Reserve

FX reserves fell sharply in 2009. By August, total FX reserves were down to US\$18bn - equivalent to three months of imports. The trade deficit is one source of the decline. However, Vietnam also saw a very large uptick in the errors and omissions in the balance of payments. Latest IMF estimates put this figure near US\$11.7bn as of 30 September 2009, although we expect a downward revision. This hit largely came from onshore asset switching from VND into US\$ and more significantly gold.



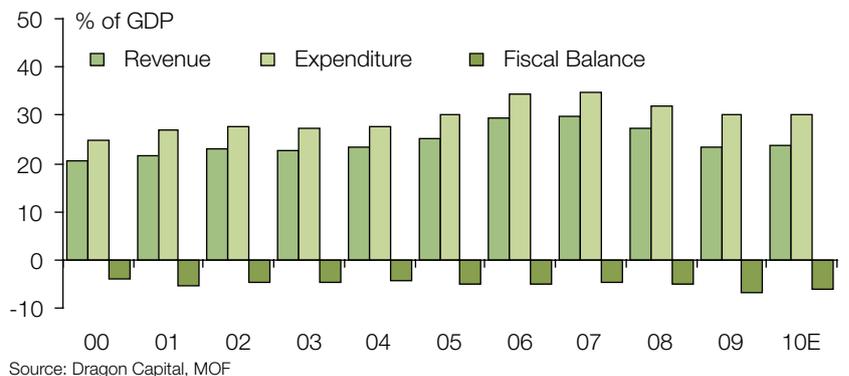
General Balance of Payments

While FDI inflows fell sharply in 2009, remittances were strong, in excess of US\$6bn. In addition ODA at an expected US\$3.2bn was disbursed during the year. However, these were not enough to release pressure on the VND given US\$8.1bn in trade deficit (FOB) and the uptick in the errors and omissions.



Fiscal Stance

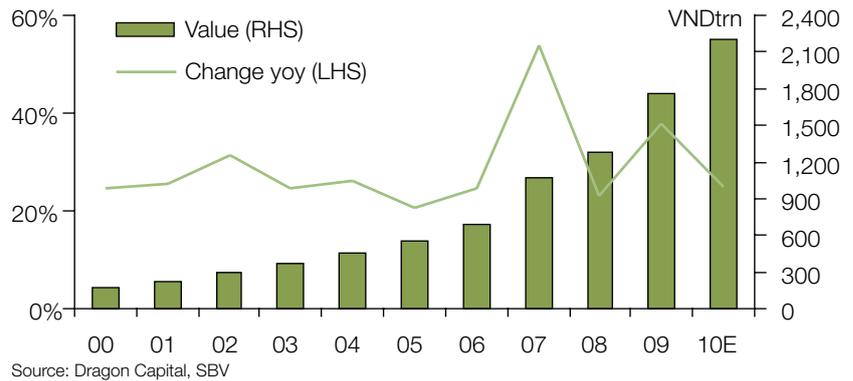
Following the Government's big stimulus package, the fiscal deficit reached 6.9% of GDP in 2009. The Government is targeting a 6.2% budget deficit in 2010. Tax breaks are being withdrawn and we expect Government spending to slow over 2010.



Investment Manager's Report (Continued)

Credit Growth

With historically low borrowing costs, the recovering economy showed huge demands for capital. Credit growth hit 38% surpassing the SBV's 30% target. As inflation pressure returned, the SBV has cut the target for credit growth to 25% for 2010.



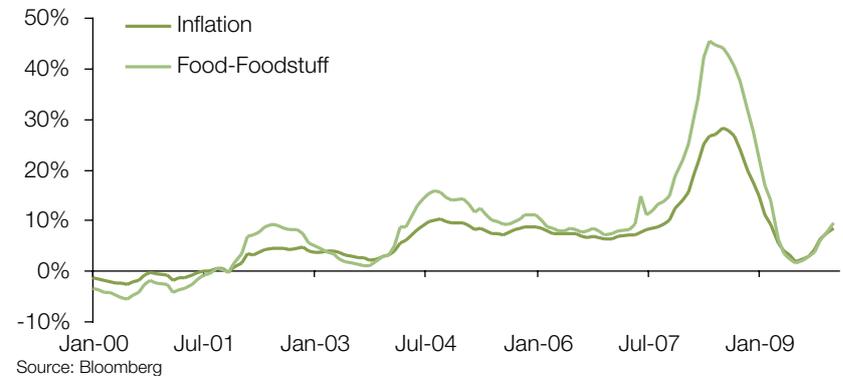
Interbank Market

In the first half of the year, interbank rates were very low and stable in a period of an easing monetary cycle. However, the second half of 2009 saw increasing rates as banks held most assets in loans and the SBV began tightening the money supply.



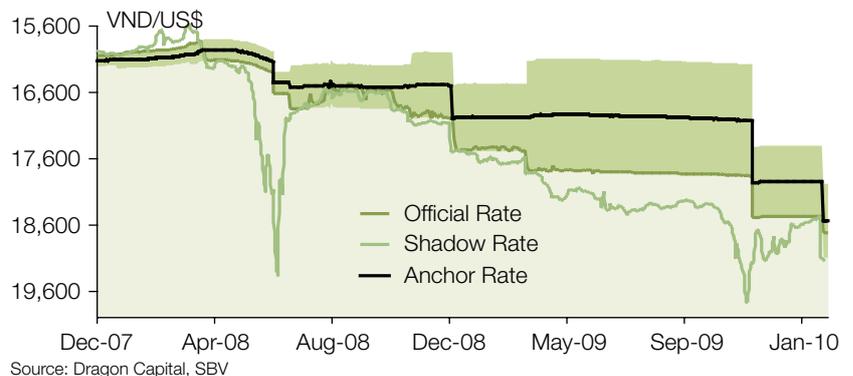
Inflation

After skyrocketing in 2008, inflation fell significantly in 2009 as a result of collapsing global commodities prices and the onset of deflation. At year end of 2009, CPI popped back up 6.5% yoy. In 2010, we anticipate inflation to possibly hit double digits by 3Q10, but this view is contingent on moves in global markets.

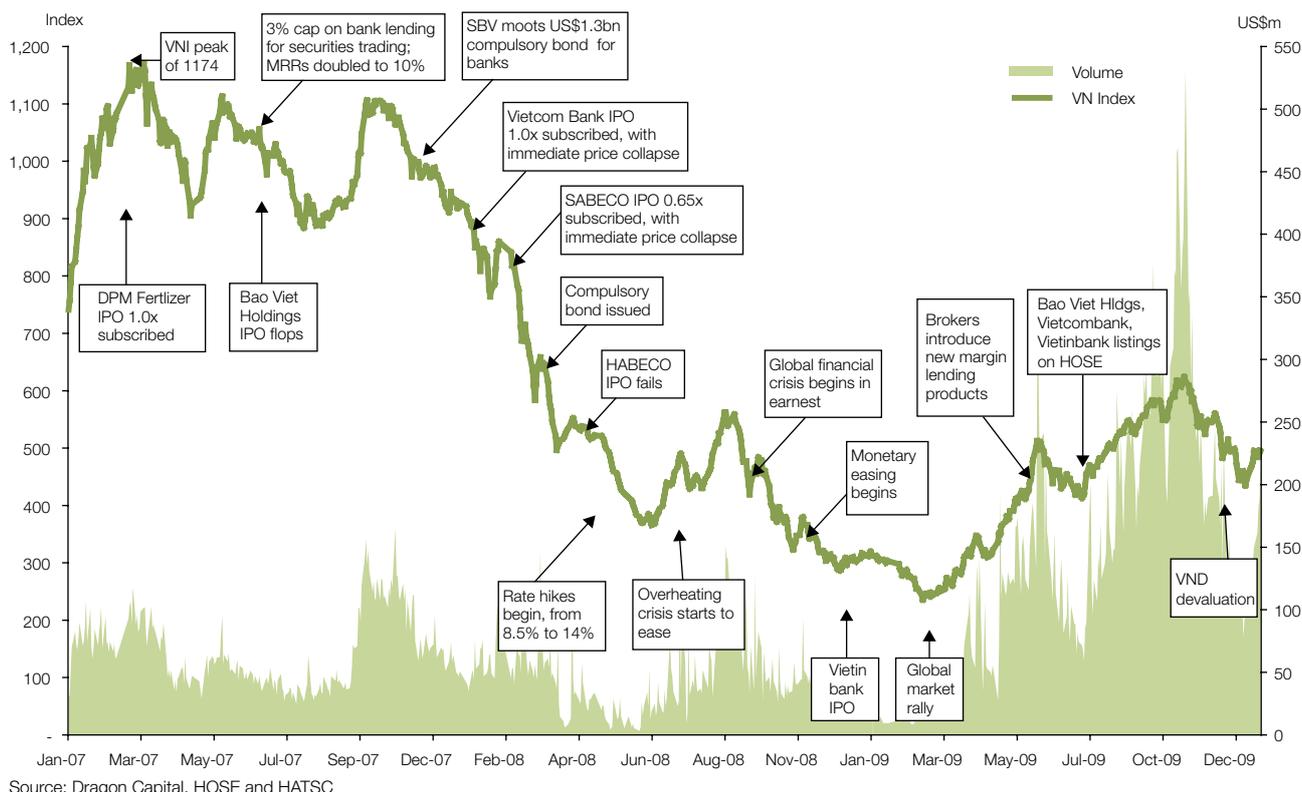


Exchange Rate

The VND was under depreciation pressure throughout the year with interbank VND/US\$ rates trading well beyond the weak side of the official trading band. For the year, FX depreciated 6%, and we anticipate some 10% for 2010 - with a 3% adjustment already taken in February 2010.



The Stock Market



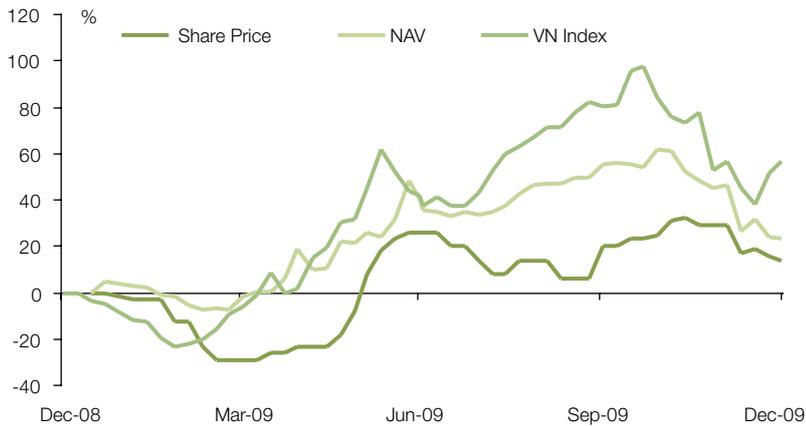
In 2009 the market finally found some correlation with the outside world and for most of the year outperformed it. Starting from a 2008 close of 316, the VN Index was hit by the same panic selling that gripped other exchanges globally and it traded straight down through the first couple months. The year low of 235, reached on 24 February, coincided with tiny daily volumes of as little as US\$10m. Stocks then began to move sharply higher as liquidity stimulus programs took hold in one country after another. In Vietnam's case, these were in the form of a loan subsidy program, where US\$1bn was put to work paying for 400bps of interest rate costs on approved credits. One way or another, a lot of this money found its way into the stock market, and volumes shot up to unprecedented levels of US\$300m. By June, the VN Index had more than doubled from its low, to 512. And then new factors made their appearance - principally the introduction of formal margin lending products by large brokers, and the transfer of funds from real estate into equities. The market moved higher still, with the driver at all times being robust liquidity. After a bit of a breathe in the summer, the Index moved to a new yearly high of 624 at the end of October, with daily turnover at a stupendous US\$300-500m. By this time Vietnam had become one of the top-performing EMs in Asia at +165% from its low, and just shy of +100% from the end-2008.

However, this situation unravelled quickly on the lure of a skyrocketing gold price, and the country's investors decided to make the yellow metal their next target. Valuations were looking toppy anyway, and some of the negative aspects of fiscal reflation had begun to catch up with Vietnam as the twin evils of deficit and inflation reared their heads. The move into gold - a multi-billion-dollar shift that put a premium on the price locally - had the unfortunate effect of greatly aggravating the trade gap. This in turn prompted one of the VND's periodic mini-crises. The currency was devalued by 3.5% and the Index went all the way back to the 450's by mid-December, down more than a quarter from its peak. Ultimately stocks retrieved about half of those losses, with the Index ending the year at 495 for a gain of 57%.

As for this year, early on the market was being hampered by a whole gamut of factors: tighter money after withdrawal of the stimulus, high inflation, a trade deficit that still seemed very large, sliding FX reserves and another modest currency adjustment. However, investors maintained their nerve and looked through transitional circumstances to a more stable macro environment. In fact some of the key economic indicators started improving after a difficult 1Q10, and as the Government began to relent on interest rates, liquidity seemed poised to make a come-back. Going into June the VN Index had been very well supported in a range of 500-530. Now, of course, the global situation has taken a turn for the worse on the back of the Euro-Zone crisis. But Vietnam, by virtue of being flat at press time, is holding up nicely compared to many of its Asian peers, not to mention Europe. Valuations are very reasonable versus regional counterparts. So the market is in a position to do very well if global circumstances permit.

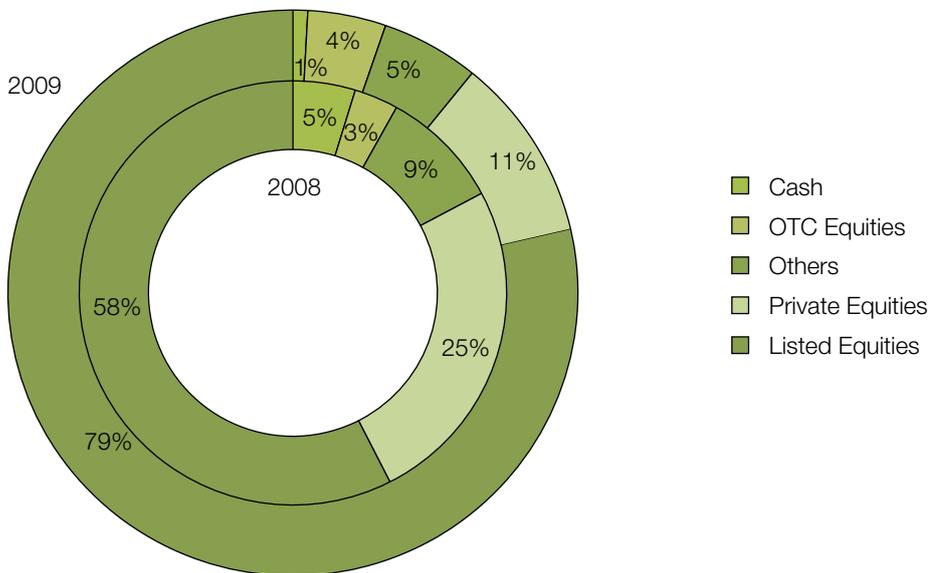
Investment Manager's Report (Continued)

Performance

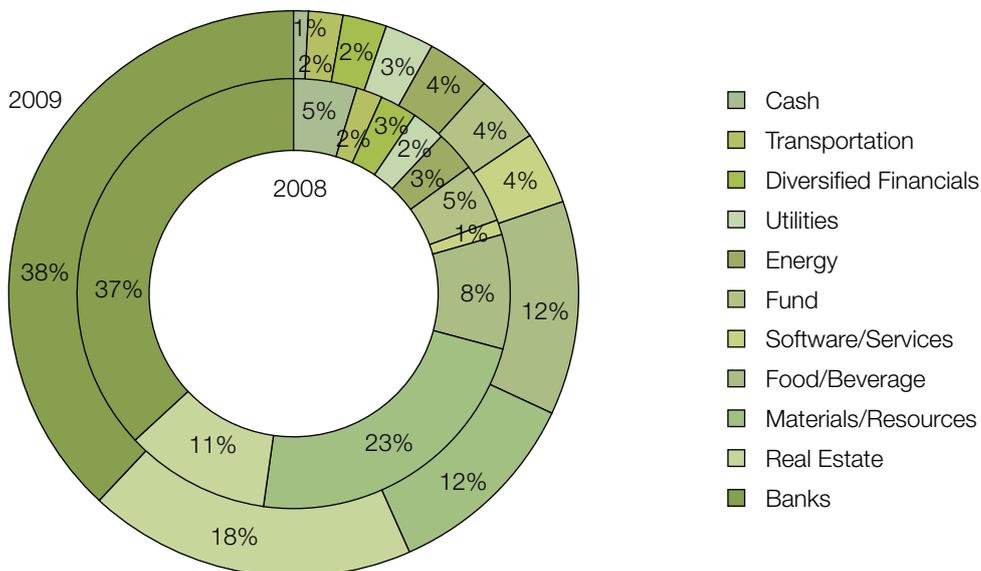


2009 was very volatile with VN Index suffering extreme movements throughout the year. The variance of 165.5% between peaks and troughs showed investors' nervousness and uncertainty. However, by the year end the VN Index had returned 56.8% or 51.6% in US\$ term. Over the year we see the performance rotating among sectors as well as stocks' size. Small and mid cap stocks, plunged sharply in the previous year, turned out to be the advancers this year. VEIL underperformed the Index as expanding merely 19.3% for the year.

Asset Allocation by Asset Class



Asset Allocation by Sector



For a full portfolio listing, please see pages 29 of the audited consolidated financial statements.

The 65% write-down of its private holdings, together with the VND devaluation's effect of -5.7% over the year accounted almost entirely for the Fund's underperformance relative to the benchmark. On the bright side, despite being underexposed to most of the small/mid cap winners due to their weak fundamental and corporate governance, the Fund's listed and OTC portfolios did much better than VN Index, with HOSE listed up 62.4%, HNX listed surging 57.6%, Overseas listed boosting sharply by 225.6% and OTC increasing 91.6%.

Attribution Analysis

A major contributory factor to the Fund's performance was its heavy weight in Banks stocks, seizing 38% of NAV. In the first six months, the sector gained twice as much as the overall VN Index. However, worries about liquidity and monetary tightening weighed on the sector and overall, the sector performed slightly weaker than the market and contributed 17% to the Fund's return.

Real Estate stocks recorded a weak performance, generating overall 44.0% return, with holdings such as the developer Danao moving sideways as its discount rate was raised due to a re-assessment of its underlying assets. However, on a more positive note, the portfolio contains convertible bonds at cost and given the performance of the underlying equity we expect to see a healthy profit on conversion. Throughout the year, new purchases included Hoang Anh Gia Lai and Sudico which earning showed higher than average growth and thus outperformed the VN Index.

Food/Beverage stocks were bearish during the first half of 2009. Thereafter promising earnings, capital increases and foreign interest bolstered the sector with Vinamilk gaining a remarkable 74.1%. Joining the rally were seafood and food producers returning in excess of 100%. Our lack of exposure to this sector did hurt the relative performance compared to the VN Index's Food/Beverage constituent, yet overall the sector generated a positive contribution of 5% to the Fund.

Our stock selection in Diversified Financials, Transportation and Software/Services was strong. As the market showed signs of recovery brokerage firms gained on the view of anticipated income increases. In the wake of extraordinary earnings from project divestment, CII, an infrastructure company, returned twofold than the VN index for the Fund. Over the year, VEIL reduced its holdings in Banking stocks, moving to more diversified industries which exploit domestic growth niches.

Sector Return and Contribution

Sector	Portfolio Return (%)	VN Index Return (%)	Portfolio Contribution (%)
Banks	45.2	52.4	17.1
Real Estate	44.0	93.5	4.4
Materials/Resources	-48.1	42.7	-9.3
Food/Beverage	73.3	87.3	4.8
Software/Services	62.1	54.5	0.7
Transportation	73.4	55.9	1.2
Funds	42.6	-	1.5
Energy	1.0	6.0	-0.1
Utilities	-14.2	-1.1	-0.7
Diversified Financials	126.0	91.1	1.9

Outlook

In our view, Banks stocks are likely to face a difficult year on concerns over monetary policy and a renewed inflation threat. Additionally, strong competition from foreign banking players will likely bring more pressure to local banks. We continue to believe that leading domestic banks still provide attractive growth in the long run; yet, we are considering reducing overall exposure. We will also continue increasing exposure to Real Estate stocks with residential as strong prospect for the foreseeable future. Economic development and exporting sector also remain in the investment horizon as a play on growing demand and beneficiaries from continued currency devaluation. We believe that continued and necessary infrastructure development will put crucial pressure on raw material supply especially that of steel. Together with their expansion and profit growth, construction material producers are a real possibility to increase exposure in the portfolio.

Top Five Holdings

ACB



Market Valuation

US\$96,477,056

% of Net Assets

22.2%

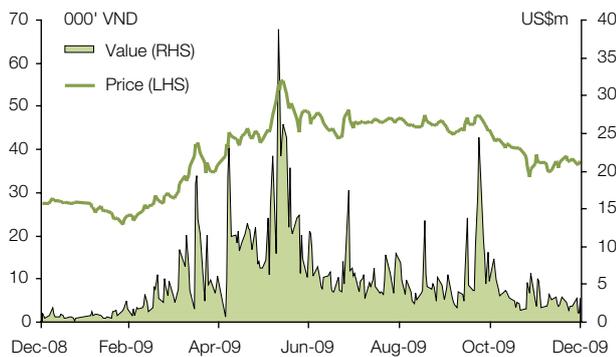
2009 Total Return

55.5%

Initial Acquisition Date

1 December 1996

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

ACB is the largest bank in Vietnam. In 2009 we expect the majority of its income to continue to be derived from non-interest activities. Bond investment and gold trading activities will again be the main income drivers. Equity investments, though modest in size, contributes the third largest amount of income. Traditional lending activity remains weak as the SBV has lowered its prime rate to such a low level that spreads remain small. Nevertheless operating income posted an impressive +38% yoy but a surge in operating expenses +70% yoy wiped it all out. ACB is reporting unaudited 2009 PBT of VND2,480bn or +0.2% yoy.

Interest income accounts for 46% of profits with bond investments accounting for 27%. Profitability from lending at ACB was expect to improve in 2009 as liquidity eased. However, net interest margin for 2009 fell significantly as the low prime rate stayed fixed almost all year which put pressure on ACB's profitability. Although the prime rate relaxed towards the end of the year the liquidity issue forced banks to another rate run which squeezed spreads again. Thus ACB's profits from traditional lending was modest at 19% including activities generated by borrowing for gold trading, and including an impressive 80% loan growth.

2009 would have been a disaster had it not been for gold trading and gold related business. These accounted for almost a third of ACB's profits. This business includes service fee from the Gold trading center, the bank's proprietary trading activities, interest income from margin lending for gold traders, as well as proceeds from physical gold exported in early 2009 in accordance with the SBV approval as an attempt to ease the US\$ liquidity problem in the market. Profit from bond investments helped as well although the yield was not as good as 2008, the portfolio still did well due to high yielding assets such as corporate and Vietnamese sovereign bonds. Lastly the bottom line was helped by ACB's stock portfolio thanks to the rebound of VN Index. Stock investments account for 17% of ACB's PBT, split equally between trading activities and reversal of last years provision.

These non-core businesses (except bond investment) allowed ACB to record good growth in its operating profit. However, its expansion policy and its growing branch network has blown out ACB's expenses. As a result there was flat PBT this year despite a strong increase in total assets of 64%. The escalation of cost is blamed on rising salaries resulting from a new payment system at ACB to reflect better performance of staff and to stay competitive in the market. This is an inevitable development and it is only unfortunate that it happened this year. At NPAT level, ACB reported a 1% drop due to the termination of its tax holiday.

The outlook for 2010 is a concern as the bank's strongest earning driver has been prohibited by the SBV, that is every activity relating to gold trading. LDR will be kept stable through a targeted 45% increase in both loan and deposit growth while consolidated PBT is aimed at 30% growth. Actual profit growth should have been much higher had it not suffered the loss of its gold trading activities. ACB said it will focus on improving profitability from its core businesses which include targeting a higher yield customer class such as SMEs and individuals. We believe the bank can handle a little bit more risk and exercise a little bit less conservatism. Other areas of focus include tightening supervision and enforcement of performance at ACB's branches. We expect this measure could push up profits as newly opened branches will come to break-even and start yielding profit in 2010. Thus we believe a 30% bottom line growth is not an unachievable target, but it will take considerably more effort than in previous years.

Top Five Holdings

Sacombank



Market Valuation

US\$52,681,527

% of Net Assets

12.1%

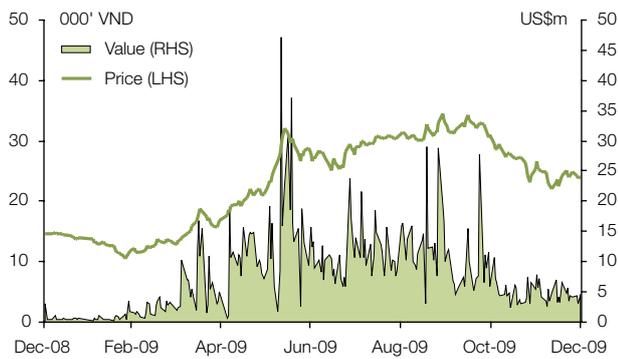
2009 Total Return

42.6%

Initial Acquisition

9 November 2000

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Sacombank is the second largest private commercial bank in Vietnam in terms of total assets at the end of 2009. It had a very impressive 2009 on the back of capital gains and robust loan growth. Net profit increased by 75% and assets grew 50% yoy. Commercial and investment banking are not clearly separated and this brought about a golden opportunity during the financial downturn. Operationally, the SMEs and retail lending segments have performed very well due to the expansion of offices and branches throughout the country. Sacombank boosted their CDs issuance taking advantage of low rates and while deposit growth was not as strong as loan growth, they continued to focus on moving forward.

In a move away from their policy in 2008, the diversification of customer base together with an aggressive investment policy contributed to the outstanding performance in 2009. A breakdown of income shows a shift from stable growth businesses to high interest income and robust loan growth. Combined with lower funding costs and risk-free income performing well the bottom line benefited enormously. The only negative was gold and FX trading. These business lines' disappointing performance can be explained by the volatile foreign exchange rate of VND/US\$ and gloomy international markets which lead to a gold rally.

The main threat to Sacombank's number two private commercial bank in Vietnam ranking comes from Techcombank. Techcombank's pro-active management has made huge strides during the last two years in terms of technology development, human resource infrastructure development and IT systems. As a result they have surpassed Sacombank in terms of earnings on relative, as well as absolute measurement in 2009.

Sacombank Financial Group's focus has been expanding market share in neighboring countries, i.e. China, Laos and Cambodia. The broker subsidiary of the group is making ambitious moves to become a regional investment bank through the establishment of a 100%-owned financial company in Singapore. In order to support this long term expansion plan, the bank has restructured its capital base, not only by increasing the paid-up capital, but also by diversifying its long term debt.

The outlook for 2010 is not quite as rosy. Unpredictable interest rate policy combined with fierce competition in the banking industry will mean a tougher year ahead. Credit caps due to inflation threat is another limitation for the development of new projects this year. Management is committed to keeping up the pace of network and loan expansion which could be considered a good move in preparing for the next business cycle.

Top Five Holdings

Vinamilk



VINAMILK

Market Valuation

US\$47,798,772

% of Net Assets

11.0%

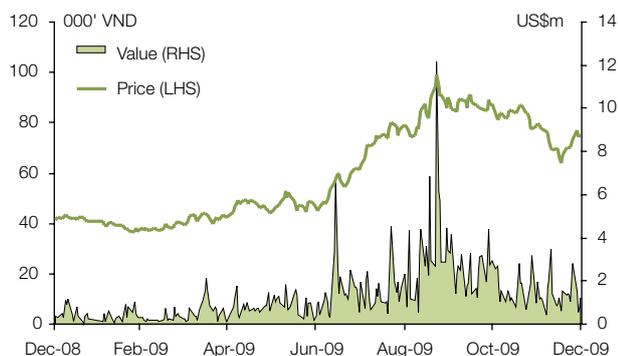
2009 Total Return

74.1%

Initial Acquisition

22 October 2003

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Vinamilk is the leading producer of dairy products in Vietnam based on sales volume (49%) and revenue (36%). Their products vary from core dairy products such as liquid and powdered milk, to condensed milk, drinking and spoon yoghurt, ice cream, and cheese. 2009 was the most successful year for Vinamilk to date with sales +29% yoy at VND10,615bn and NPAT +90.1% yoy at VND2,376.5bn. The success this year was due to both excellent internal growth and external advantages such as support programs from Government and other competitors' problems.

The increase in sales was driven domestically while exports were flat. Domestically, thanks to the expansion of their distribution network, the number of retail outlets has increased from 125,000 in 2008 to 135,000 in 2009 with special focus on the rural areas. Market share of powdered and liquid milk increased by 5% and 8% to 39.6% and 47.6% respectively. This additional market share was gained from its competitors Nestle and Nutifood for powdered milk and Dutch Lady for liquid milk. Dutch Lady had problems launching its new liquid product called "Vivinal Gos" because it caused an allergic reaction amongst some consumers. The support program from Government, which encourages Vietnamese to use local products, was also a driver for Vinamilk sales growth this year.

The downturn in raw material (mainly imported milk powder) prices by an average -30% was the key driver to push up margins strongly from 31.6% in 2008 to 36.5% in 2009. Thanks to these higher margins, the gross profit increased 49% yoy. In order to reduce its dependence on imported raw materials, Vinamilk focused on developing cow farms in Vietnam. So far the company has established 4 farms throughout the country, with the total number of 2,564 cows producing 7,248 tons of milk. The company has also increased its milk purchases from local farmers by +5.8% yoy. Currently, Vinamilk is the biggest buyer of local dairy farmers production accounting for 60% of the whole country's milk output.

Cost controls have been implemented efficiently as seen by the reduction in sales and marketing expenses. Last year the ratio of sales and marketing expense was 15% while this year this ratio fell to 13%. This positively impacted EBIT which increased 87.5% yoy. In addition, this year Vinamilk also exited its beer operation by selling its entire JV stake to SabMiller. The deal brought Vinamilk a premium of around VND160bn. After reversing the provision for financial investments which was over VND30bn; PBT was up strongly at +99% yoy.

During the year Vinamilk issued bonus shares in the ratio of 1:1 in September 2009. Around the time the information about the bonus issue was announced, the price of Vinamilk increased nearly 67% in a month.

For 2010, the outlook is still bright with expected sales growth more than 25%. The company will target expansion of its distribution network especially in the Northern Central, the North and rural areas. At the end of 2009, the company increased its sales price by an average of 6% to counteract the increase in the raw material price. International milk was +49% and sugar +53%. We are concerned that increased sales price is not adequate to compensate for the increase in input price. As a result margins will certainly be squeezed in 2010. Based on our estimates, NPAT for 2010 will grow 8% at VND2,564bn. At this level, Vinamilk still looks attractive with the PER level of 11.2x.

Top Five Holdings

Hoang Anh Gia Lai



Market Valuation

US\$32,739,866

% of Net Assets

7.5%

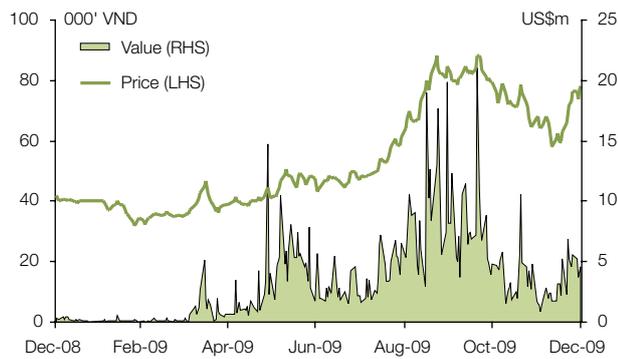
2009 Total Return

74.0%

Initial Acquisition

19 June 2009

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Hoang Anh Gia Lai is one of Vietnam's biggest diversified property corporations and was founded in 2005 by entrepreneur Doan Nguyen Duc. At that time he added development operations to the well-known construction, hotel and furniture group he had started in 1990. The group had already accumulated land sites purchased at very low cost in Saigon, Danang, Gia Lai and Quy Nhon. The business is now fully integrated and has a potential pipeline of up to 28 projects. Hoang Anh Gia Lai's main focus is on the middle/upper-income residential market, which it is entering in major cities throughout the country, but it is also moving into some new areas - rubber, power and mining - to further diversify its income stream.

Hoang Anh Gia Lai performed very well in 2009. Net profit increased by 83% to VND1,278bn and property development, at 84% of the total, was the key driver of growth. Property income was supported by the successful sale of three upper and medium-end residential projects. The market has been essentially frozen since 1Q09 when the Government started tightening its monetary policy. But despite the average sales price falling by 40% margins still averaged 40% thanks to the company's typically low land cost and well-controlled construction costs. Although contributing only 9% of net profit, construction witnessed a four-fold growth year-on-year thanks to the contract to construct the athletes accommodation village for 2009 SEA Games in Laos.

In 2010 it is expected that property will continue to be the leading contributor to the bottom line due to projects already being sold. There will also be a change in the top and bottom line income structure when the company's diversification strategy takes effect with two new businesses, namely mining and electricity. Hoang Anh Gia Lai will start exporting iron ore from mines in Vietnam at the same time stocking up its inventory from mines in Laos and Cambodia for future export. Two hydropower plants should be finished in 1H10, and electricity will be sold to EVN. These two new businesses will make up 25% in aggregate of the bottom line and reduce the dominance of property to 60%. The remainder is being made up by construction and production of furniture and granite.

Hoang Anh Gia Lai's diversification program, to balance operations away from the volatile real-estate sector, will focus on building six hydropower plants with a total capacity of 282MW in Vietnam and Laos. It will also continue the exploration of base metal mines in Vietnam, Laos and Cambodia. The company planted 12,000 ha of rubber trees out of a possible 30,000 ha (including some land in Laos), and will plant another 9,000 ha in 2010. The rubber project will come on stream in 2012. Ultimately Hoang Anh Gia Lai expects its new businesses to be about one-third of sales and earnings during 2010-12, but steadily increasing thereafter.

Hoang Anh Gia Lai is accessing capital markets to carry out all its projects and in 2009 it assumed VND1.45trn of new bonds, with an option to convert into ordinary shares or cash back after one year. The net DER moved from -0.1x in 2007 to a peak of -0.7x in 2008, and down to -0.3x in 2009 and should continue down as project cash flow develops.

To conclude, Hoang Anh Gia Lai is a fundamentally sound investment with strong expertise in property and, growth supplemented and stabilised via its diversification program. The future is very encouraging, and we project NPAT to achieve growth of at least 30% through to 2013.

Top Five Holdings

VRICL-Tiberon



Valuation

US\$23,804,432

2009 Total Return

-65.4%

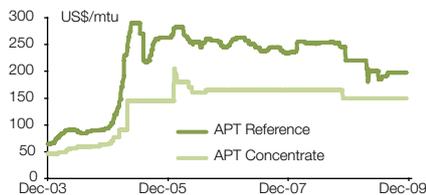
% of Net Assets

5.5%

Initial Acquisition Date

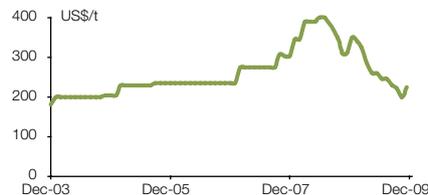
27 September 2007

Tungsten (APT) Price (US\$/mtu)



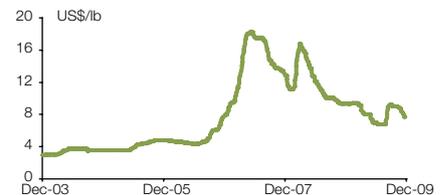
Source: Bloomberg

Acidspars Price (US\$/tonne)



Source: Bloomberg

Bismuth Price (US\$/lb)



Source: Bloomberg

VRICL-Tiberon holds 70% of Nui Phao, the world-class polymetallic mine project in northeast Vietnam. VEIL has an indirect 21.3% holding. This is a project of global strategic importance in that it will supply half of the world's non-Chinese tungsten when production commences. Once operating, Nui Phao will also be one of the world's largest single-point producer of bismuth and acid-grade fluor spar. Additional revenues will be derived from copper concentrate containing minor gold credits. These major mineral products appear to be on a world-wide declining supply trajectory due to China's export restrictions, coupled with a lack of new project start-ups elsewhere in the world. Moreover, new consumer applications for these commodities are continually increasing demand. Nui Phao will operate as a low-cost open-pit mine with a targeted life of 16.5 years, extendable to some 24 years if inferred resources are converted to reserves.

Progress was made at Nui Phao in 2009, with project engineering largely finalised and procurement of long-lead equipment essentially completed. The compensation and resettlement program is also well advanced, with land clearance and infrastructure preparation having taken place in the priority areas, with 60% complete overall, and more than 85% of the scheduled critical path areas. A mandate for project finance was executed in May 2008, however, in October 2008, Nui Phao moved onto a reduced-activity basis due to the global financial crisis which also resulted in the mandate subsequently expiring. In late August 2009, media reports indicated that Nui Phao's operating licenses might be revoked due to delays in project implementation. However, the immediacy of this potential license threat was ameliorated when the Ministry of Natural Resources and Environment gave notice allowing Nui Phao a period of 12 months to November 2010 to bring the mine into production.

Nui Phao Reserve and Resources

Category	MT (000s)	WO ₃ (%)	CaF ₂ (%)	Bi (%)	Cu (%)
Proven	23.52	0.26	8.57	0.11	0.23
Probable	31.91	0.17	8.38	0.08	0.15
Total Reserves	55.43	0.21	8.46	0.1	0.19
Inferred Resources	27.42	0.16	7.11	0.08	0.17

Source: Nui Phao

In September 2009 a revised capital cost estimate for the project was completed by the engineering firm Aker Solutions (Brisbane) which came in at US\$391.6m (including contingencies) of which US\$131m has been expended to date. This updated capital estimate represents a 16.6% reduction from their previous work reflecting a deflationary trend seen across the resources sector post the global financial crisis. The lower build cost results in an improved DCF and slightly lower financing requirements.

Under the impact of the global financial crisis, the suite of Nui Phao production commodities have succumbed to downward price pressures as demand weakened and inventories grew with the exception of copper which recovered quickly and strengthened. It is noteworthy that the current Nui Phao commodity prices remain well above their projected production cash costs. Given the non-LME traded nature of these products, China's supply dominance when coupled with their tightening of export quotas, is helping to ensure the global market remains in relative balance with an inelastic price/supply dependency in evidence. Combining this with the global economic recovery and assuming modest increases in demand for the Nui Phao commodity mineral suite all serves to provide good support for a positive medium and long term outcome. The economic turmoil has temporarily affected access to equity and debt funding thereby restricting access to capital and stalling the projects development momentum that had been previously established. Nui Phao's management remain focused on securing the funds required to commence full construction activities and resolve certain aged creditor-suppliers that have submitted payment claims for previously invoiced amounts.

On 30 April 2010 agreements entered by Tiberon Minerals Ltd Pte ("Tiberon") and Vietnam Resource Investments (Cayman) Limited ("VRICL") to restructure the Company's indirect interests in Nui Phao, the Company's investment in VRICL-Tiberon. The closure of the transaction is subject to certain conditions precedent including regulatory and Government approvals. Should these conditions be satisfied, the Company will transfer its indirect equity investments in Nui Phao to subsidiaries of the Masan Group, a large and publicly listed Vietnamese company, in exchange for a combination of equity and share options.

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

The management agreement between the Company and Enterprise Investment Management Limited (the "Investment Manager") sets out the matters over which the Investment 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 biannually 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.

Board Composition

The Board consists of three independent non-executive Directors, all of whom are regarded by the Board as independent of the Company's Manager, including the Chairman, and two non-independent Directors appointed by the Investment Manager. Following the end of the financial year, the resignation of one Director will form part of an overall refreshment to the Board in terms of members and experience. The independent Directors are selected due to their 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 40. 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. The Board does not believe that the length of service 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 operates a Nomination Committee which is responsible for proposing candidates for appointment to the Board, having regard to the balance of skills, knowledge and experience of the Board. For independent Director appointments, the Committee also considers the time commitment involved in the appointment in arriving at its decision and this is reflected in all new letters of appointment. To deal with valuation and conflict issues, the Company has appointed a committee for this purpose, which is comprised of all independent Directors. 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 of opinion relating to all investments was held.

Management

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. 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. In addition, the Directors have expressed their satisfaction with the quality of the administrative and other services provided by the Administrator.

Risk Management and Internal Control

The key risks facing the Company are disclosed in Note 14 to the financial statements. These risks are monitored as part of the normal oversight process. Risk management and the operation of the internal control systems within the Company are primarily the responsibility of the Investment Manager, who operates under commercial independence and flexibility to ensure that risks are clearly owned and managed and that systems of control operate effectively. The Investment Manager monitors activities on a daily basis and ensures that the appropriate controls are exercised over the Company's assets. The systems of internal control operated by the Company are designed to manage rather than eliminate risk of failure to achieve its objectives, and will only provide reasonable and not absolute assurance against material misstatement or loss.

Governance (Continued)

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 and the Interim Report. This is supplemented by weekly reports of the NAV of the Company's shares. During the year, the Investment Manager holds 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 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 39.

Corporate Governance and Socially Responsible Investment

VEIL is committed to delivering superior investment performance to its investors. We understand that one of the drivers of investment performance is an assessment of the corporate governance principles and practices of the companies in which we invest our investors' 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 investors and to achieve good financial returns consistent with an acceptable level of risk in the management of our assets. An investee 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 investors, the Investment Manager takes account of these and all other factors affecting the valuation of the companies in which the Company is currently invested or considering investment. Dragon Capital has incorporated an Environmental Management System into its investment process since 2002, and now operates a Governance Unit with a remit to ensure all areas of the business meet with governance best practice. A copy of the Annual Governance Report is available on request.

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 in investee companies 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 the Company. So far as is practicable, we 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.

Annual General Meeting Summary

15 December 2009

Ordinary resolutions

- Adoption of financial statements;
- Re-election of Richard McKegney as Chairman and a Director of the Company;
- Re-election of Hartmut Giesecke as a Director of the Company;
- Re-election of Wolfgang Bertelsmeier as a Director of the Company;
- Issuance of up to an additional maximum of 10% of redeemable shares;
- Re-appointment of auditors; and
- Approval to issue up to 200,000,000 conversion shares at issue price of US\$1.00 per share.

All resolutions were passed.

Report of the Board of Directors

The Directors of Vietnam Enterprise Investments Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

Principal Activity

The Company is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands on 20 April 1995. The Company's shares are listed on the Irish Stock Exchange. The principal activity of the Company is to invest directly or indirectly in a diversified portfolio of listed and unlisted securities in Vietnam.

Results and Dividends

The Group's consolidated profit for the year ended 31 December 2009 and its consolidated financial position at that date are set out in the attached consolidated financial statements. The Directors have taken the decision not to pay a dividend in respect of the year ended 31 December 2009 (2008: Nil).

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 8 to the consolidated financial statements. As at 31 December 2009, the Company had issued share capital comprising of 173,823,000 redeemable shares and 1,000 management shares (31 December 2008: 173,823,000 redeemable shares and 1,000 management shares).

Directors

The Directors of the Company during the year were:

Non-executive Directors:

Dominic Scriven

John Shrimpton (until 26 March 2010)

Independent non-executive Directors:

Richard McKegney

Wolfgang Bertelsmeier (since 20 July 2009)

Wong Sin Foong (until 26 March 2009)

Hartmut Giesecke

In accordance with article 91 of the Company's Articles of Association, the independent non-executive Directors are required to submit themselves for re-election at the next occurring Annual General Meeting. Richard McKegney, Wolfgang Bertelsmeier and Hartmut Giesecke were duly re-appointed at the Annual General Meeting held on 15 December 2009 following the expiry of their respective term.

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 both 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 Dragon Capital Markets Limited and Dragon Capital Management Limited, the Investment Manager of the Company. As at 31 December 2009, Dragon Capital Markets Limited beneficially held 1,023,919 redeemable shares of the Company for investment and proprietary trading purposes (2008: 563,305 redeemable shares).

Richard McKegney, a Director of the Fund, is also 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 1,026,770 redeemable shares of the Company as at 31 December 2009 (2008: 1,026,770 redeemable shares).

Apart from the above, no Directors had a direct or indirect interest in the share capital of the Company, or its underlying investments 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 Dragon Capital Management Limited as they were both Directors of Dragon Capital Management Limited during the year. There were no further 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.

Report of the Board of Directors (Continued)

Substantial Shareholders

At 31 December 2009, the Company's register of shareholders showed that the following shareholders held more than a 10% interest in the issued redeemable share capital of the Company.

Registered shareholder	Number of redeemable shares held	% of total redeemable shares in issue
Citivic Nominees Limited	131,685,280	75.76%
Clearstream Banking SA (POA Fortis Banque Luxembourg)	42,065,719	24.20%

Subsequent Events

Details of the significant subsequent events of the Group are set out in Note 18 to the consolidated financial statements.

Auditors

KPMG Limited, Vietnam

Directors' Responsibility in Respect of the Consolidated Financial Statements

The Board of Directors is responsible for ensuring that the consolidated financial statements of the Group are properly drawn up so as to give a true and fair view of the consolidated financial position of the Group as at 31 December 2009 and of its consolidated financial performance and cash flows for the year then ended. When preparing these consolidated financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the requirements of International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the consolidated financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue its operations in the foreseeable future; and
- control and direct effectively the Group in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the consolidated financial statements.

The Board of Directors is also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

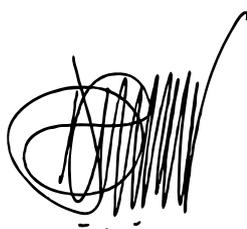
The Board of Directors confirms that they have complied with the above requirements in preparing the consolidated financial statements.

The Board of Directors confirms that the Investment Manager's report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

Approval of the Financial Statements

We hereby approve the accompanying consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as of 31 December 2009 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year ended 31 December 2009 in accordance with International Financial Reporting Standards.

By Order of the Board



Dominic Scriven O.B.E.
Director
10 June 2010



KPMG Limited
10th Floor, Sun Wah Tower
115 Nguyen Hue Street
District 1, Ho Chi Minh City
The Socialist Republic of Vietnam

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Vietnam Enterprise Investments Limited

We have audited the accompanying consolidated financial statements of Vietnam Enterprise Investments Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as of 31 December 2009, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 principles used and the reasonableness of accounting estimates made by the 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 opinion.

Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Limited
Ho Chi Minh City, Vietnam
10 June 2010

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Consolidated Statement of Financial Position

As at 31 December 2009

	Note	2009 US\$	2008 US\$	% Change
Current assets				
Financial assets at fair value through profit or loss	5	431,343,040	348,820,482	
Receivables		1,384,107	422,914	
Cash and cash equivalents	6	3,938,880	16,517,685	
		<u>436,666,027</u>	<u>365,761,081</u>	19.39%
Current liabilities				
Accounts payable and accruals	7	1,305,599	751,262	
Net assets		<u>435,360,428</u>	<u>365,009,819</u>	19.27%
Equity				
Issued capital	8	1,738,240	1,738,240	
Share premium	8	356,666,449	356,666,449	
Retained earnings		76,955,739	6,605,130	
Total equity		<u>435,360,428</u>	<u>365,009,819</u>	19.27%
Number of redeemable shares in issue	8	<u>173,823,000</u>	<u>173,823,000</u>	
Net asset value per redeemable share	9	<u>2.50</u>	<u>2.10</u>	19.27%

Approved by the Board of Directors on 10 June 2010.



Dominic Scriven O.B.E.
Director

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2009

	Note	2009 US\$	2008 US\$
Income			
Bank interest income		170,273	1,074,226
Bond and loan interest income		1,401,560	1,554,155
Dividend income		7,959,550	12,851,138
Net changes in fair value of financial assets at fair value through profit or loss		74,593,788	(583,883,991)
(Losses)/gains on disposals of investments		(3,976,085)	2,641,944
Other income		854,282	1,094
Total income/(loss)		81,003,368	(565,761,434)
Expenses			
Administration fee	10	(463,598)	(546,815)
Custodian fee	10	(139,081)	(164,047)
Directors' fees	10	(58,876)	(57,500)
Management fee	10	(9,271,956)	(10,865,236)
Interest expense		-	(134,149)
Withholding taxes		(91,718)	(465,626)
Legal and professional fee expenses		(101,334)	(243,474)
Other operating expenses		(264,559)	(281,954)
Total expenses		(10,391,122)	(12,758,801)
Net profit/(loss) before exchange losses		70,612,246	(578,520,235)
Exchange losses			
Net foreign exchange losses		(261,637)	(1,504,115)
Profit/(loss) before tax		70,350,609	(580,024,350)
Income tax	11	-	-
Net profit/(loss)		70,350,609	(580,024,350)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		70,350,609	(580,024,350)
Net profit/(loss) and comprehensive income/(loss) for the year attributable to redeemable shareholders		70,350,609	(580,024,350)
Basic earnings/(losses) per redeemable share	12	0.40	(3.48)

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2009

	Issued capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2008	1,580,220	313,021,325	586,629,480	901,231,025
Transactions with shareholders, recorded directly in equity:				
Issue of redeemable shares	158,020	43,645,124	-	43,803,144
Total comprehensive loss for the year:				
Net loss for the year	-	-	(580,024,350)	(580,024,350)
Balance at 1 January 2009	1,738,240	356,666,449	6,605,130	365,009,819
Total comprehensive loss for the year:				
Net profit for the year	-	-	70,350,609	70,350,609
Balance at 31 December 2009	1,738,240	356,666,449	76,955,739	435,360,428

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2009

	Note	2009 US\$	2008 US\$
Operating activities			
Profit/(Loss) for the year		70,350,609	(580,024,350)
Adjustments for:			
Bank interest income		(170,273)	(1,074,226)
Bond and loan interest income		(1,401,560)	(1,554,155)
Dividend income		(7,959,550)	(12,851,138)
Net changes in fair value of financial assets at fair value through profit or loss		(74,593,788)	583,883,991
Losses/(gains) on disposals of investments		3,976,085	(2,641,944)
		(9,798,477)	(14,127,673)
Change in receivables		(1,156,356)	2,508,019
Change in account payables and accruals		554,337	(36,064,124)
		(10,400,480)	(47,683,778)
Proceeds from disposals of investments		97,889,547	41,862,228
Purchase of financial assets at fair value through profit or loss		(109,794,402)	(54,734,452)
Bank interest received		219,512	1,033,955
Bond and loan interest income received		1,508,533	1,758,002
Dividends received		7,998,501	12,848,584
Interest paid		-	(134,149)
Net cash used in operating activities		(12,578,805)	(45,049,610)
Financing activities			
Proceeds from shares issued		-	44,245,600
Payment for share issuance costs		-	(442,456)
Net cash generated from financing activities		-	43,803,144
Net decrease in cash and cash equivalents		(12,578,805)	(1,246,466)
Cash and cash equivalents at the beginning of the year		16,517,685	17,764,151
Cash and cash equivalents at the end of the year	6	3,938,880	16,517,685

The accompanying notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2009

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. The Company

Vietnam Enterprise Investments Limited (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 and had no employees as at 31 December 2009 (2008: Nil).

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 Company's redeemable shares 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 pursuant to which a special resolution to wind up the Company on 31 December 2012 shall be put before the annual general meeting of the Company to be held in the year 2010. If that special resolution is not passed at the annual general meeting of 2010, the Company will put before the annual general meeting of every successive even numbered year a special resolution to wind up the Company on 31 December of the second year following the date of that annual general meeting.

As at 31 December 2009 and 2008, the Company had the following investments in subsidiaries and jointly controlled entity, for the purpose of investment holding:

Subsidiaries and jointly controlled entity	Country of incorporation	% ownership	Principal activities
Grinling International Limited	British Virgin Islands	100%	Investment holding
Wareham Group Limited	British Virgin Islands	100%	Investment holding
Goldchurch Limited	British Virgin Islands	100%	Investment holding
VEIL Holdings Limited	British Virgin Islands	100%	Investment holding
Venner Group Limited	British Virgin Islands	100%	Investment holding
Dragon Financial Holdings Limited	British Virgin Islands	90%	Investment holding
Rickmansworth Limited	British Virgin Islands	100%	Investment holding
Geffen Limited	British Virgin Islands	100%	Investment holding
VEIL Cement Limited	British Virgin Islands	100%	Investment holding
VEIL Estates Limited	British Virgin Islands	100%	Investment holding
VEIL Industries Limited	British Virgin Islands	100%	Investment holding
VEIL Infrastructure Limited	British Virgin Islands	100%	Investment holding
VEIL Paper Limited	British Virgin Islands	100%	Investment holding
Aralax Investments Limited	British Virgin Islands	100%	Investment holding

2. Basis of Preparation

(a) Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of preparation

The consolidated financial statements have been prepared on the accrual basis using the historical cost concept, except for investments in securities classified as financial assets at fair value through profit or loss which are measured at fair value. The methods used to measure fair values are described in Note 3(c).

(c) Functional and presentation currency

The consolidated financial statements are presented in US Dollars ("US\$"), the Company's functional currency.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable in the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the consolidated financial statements are discussed as follows:

Impairment of receivables

The Directors determine the provision for impairment of receivables on a regular basis. This estimate is based on the Directors' review of each individual account balance taking into account the credit history of the debtors and prevailing market conditions.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The Group appointed Behre Dolbear Australia Pty Limited ("Behre Dolbear") to provide the Directors with quarterly independent valuations of one of its unlisted holdings in order to assess the fair value of its investment.

(e) Change in accounting policies

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings or Net Asset Value ("NAV") per redeemable share.

3. Summary of Significant Accounting Policies

The following significant accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by entities in the Group.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and jointly controlled entities (together referred to as the "Group").

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Jointly controlled entities are accounted for using proportionate consolidation method.

All intra-group balances and significant intra-group transactions and resulting unrealised profits or losses (unless losses provide evidence of impairment) are eliminated on consolidation.

(b) Foreign currency translation

Transactions in foreign currencies are translated to the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

3. Summary of Significant Accounting Policies (Continued)

(c) Financial assets

Financial assets, other than hedging instruments, are divided into the following categories: loans and receivables and financial assets at fair value through profit or loss.

The Board of Directors determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired. Financial assets 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.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised initially at fair value, plus, in the case of investments not designated as at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expires or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised based on the classification of the financial assets.

Financial assets of the Group consist primarily of cash and cash equivalent, financial assets at fair value through profit or loss and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated to be carried at fair value through profit or loss upon initial recognition. By definition, all derivative financial instruments that do not qualify for hedge accounting fall into this category. Other financial assets at fair value through profit or loss held by the Group include listed and unlisted securities. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Any gain or loss arising from financial instruments is based on changes in fair value.

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

The fair value of listed investments is determined based on quoted market prices on a recognised exchange or sourced from reputable brokers/counterparties in the case of non-exchange trade instruments at the reporting date without any deduction from estimated selling costs. Unlisted investments for which an active over-the-counter market exists are stated at fair value based upon the average price quotations received from two independent brokers.

Where no quotes or insufficient quotes are available, the Board will decide the appropriate method(s) for the estimation of fair value of the relevant asset(s). The Board will take into account all factors they consider relevant, which may include valuation methodologies or guidelines, such as the European Venture Capital Association guidelines for the valuation of private equity and venture capital investments, where appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less allowance for impairment.

Receivables are reviewed for impairment on a case-by-case basis when they are overdue at the reporting date or when objective evidence is received that a specific counterparty may default.

(d) Financial liabilities

The Group's financial liabilities include accounts payable and accruals.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Accounts payable and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(e) Share capital

Issuance of share capital

Management shares and redeemable shares are classified as equity. The difference between the issue price and the par value of the shares less any incremental costs directly attributable to the issuance of shares is credited to share premium.

Repurchase of share capital

When share capital recognised as equity is repurchased (treasury shares), the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from share premium.

(f) Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(g) Segment reporting

The Group is organised and operates as one operating segment. Consequently, no segment reporting is provided in the Group's consolidated financial statements.

(h) Provisions

Provisions are recognised when it is probable that present obligations will lead to an outflow of economic resources from the Group and they can be reliably estimated. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long-term provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the Directors.

(i) Revenue recognition

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

- (a) Dividend income is recognised when the Group's right to receive the dividend has been established; and
- (b) Interest income from banks and others is recognised when it accrues using the original effective interest rate of the instrument calculated at the origination date.

(j) Expenses

All expenses, including management fee and incentive fee, are recognised in profit or loss on an accrual basis.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

3. Summary of Significant Accounting Policies (Continued)

(k) Earnings per share and net asset value per share

The Group presents basic earnings per share ("EPS") for its redeemable shares. Basic EPS is calculated by dividing net profit(loss) attributable to the redeemable shareholders of the Company by the weighted average number of redeemable shares outstanding during the year. The Company did not have potentially dilutive shares as of 31 December 2009 (2008: nil).

NAV per share is calculated by dividing the NAV attributable to redeemable shareholders of the Company by the number of outstanding redeemable shares as at the reporting date. NAV is determined as total assets less total liabilities. Where treasury shares exist, NAV per share is calculated based on the assumption that those treasury shares have been cancelled. As of 31 December 2009 and 2008 no shares were repurchased by the Company.

(l) Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group, or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group;
- (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 Group, or of any entity that is related party of the Group.

Other investment companies/funds under the management of Dragon Capital Management Limited (the "Investment Manager"), are also considered related parties to the Group.

(m) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009; and have not been applied in preparing these consolidated financial statements. None of these is expected to have a material effect on the Group's consolidated financial statements.

4. Transactions with Related Parties

The Investment Manager, Dragon Capital Management Limited, is responsible for identifying, making and monitoring investments on behalf of the Group. Dominic Scriven, a Director of the Company, is also the Director of the Investment Manager. Dominic Scriven is also a shareholder and Director 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.

During the year, the Directors, with the exception of Dominic Scriven, earned US\$58,876 (2008: US\$57,500) for their participation on the Board of Directors of the Company.

As at 31 December 2009, Dragon Capital Markets Limited beneficially held 1,023,919 redeemable shares of the Company for proprietary trading purposes (2008: 563,305 redeemable shares).

Richard McKegney, a Director of the Fund, is also 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 1,026,770 redeemable shares of the Company as at 31 December 2009 (2008: 1,026,770 redeemable shares).

During the year, the Group sold Vinashin Loans of US\$2,500,000, US\$2,500,000, US\$2,700,000, at a price of 69% of the original purchase cost to Vietnam Growth Fund Limited, Vietnam Dragon Fund Limited and Vietnam Debt Fund SPC, respectively.

5. Financial Assets at Fair Value through Profit or Loss

	2009 US\$	2008 US\$
Listed investments:		
Investments, at cost	193,952,453	173,760,138
Unrealised gains	148,060,486	37,624,558
At fair value	342,012,939	211,384,696
Unlisted investments:		
Investments, at cost	149,277,532	161,541,077
Unrealised losses	(59,947,431)	(24,105,291)
At fair value	89,330,101	137,435,786
Total investments at fair value	431,343,040	348,820,482

As at 31 December 2009, the Group held the following listed and unlisted investments:

	Sector	Fair value US\$	% NAV
Listed investments			
Overseas listed equities			
Olympus Pacific	Materials/Resources	5,827,981	1.34
Vedan	Food/Beverage	1,986,629	0.46
Asian Minerals	Materials/Resources	755,141	0.17
		8,569,751	1.97
Vietnam listed equities			
ACB	Banks	96,477,056	22.16
Sacombank	Banks	52,681,527	12.10
Vinamilk	Food/Beverage	47,798,772	10.98
Hoang Anh Gia Lai	Real Estate	32,739,866	7.52
REE	Real Estate	20,520,817	4.71
PV Drilling	Energy	14,869,630	3.42
FPT	Software/Services	14,026,829	3.22
Hoa Phat Group	Materials/Resources	10,123,422	2.33
Phu My Fertilizer	Materials/Resources	10,084,085	2.32
CII	Diversified Financials	10,025,690	2.30
Vinh Son-Song Hinh	Utilities	7,175,034	1.65
VFMVF1	Funds	6,963,851	1.60
Pha Lai Power	Utilities	5,624,026	1.29
Sudico	Real Estate	3,261,995	0.75
Sudico Right	Real Estate	713,561	0.16
DIG	Real Estate	265,572	0.06
SSI	Diversified Financials	91,455	0.02
		333,443,188	76.59
Total listed investments at fair value		342,012,939	78.56

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

5. Financial Assets at Fair Value through Profit or Loss (Continued)

	Sector	Fair value US\$	% NAV
<u>Unlisted investments</u>			
OTC equities			
VP Bank	Banks	16,500,081	3.79
Sabeco	Food/Beverage	2,684,804	0.62
		19,184,885	4.41
Private equities			
VRICL-Tiberon	Materials/Resources	23,804,432	5.47
Danao	Real Estate	11,222,998	2.58
VFMVF2	Funds	8,519,635	1.96
VIFS	Funds	1,324,015	0.30
PDD	Real Estate	1,210,000	0.28
Pacific Ocean	Energy	657,800	0.15
		46,738,880	10.74
Unlisted Bonds			
HAG Bond 0% 7/10/2010	Real Estate	7,305,590	1.68
FPT Bond 7% 9/10/2012	Software/Services	3,788,084	0.87
		11,093,674	2.55
Warrants			
FPT Warrant	Software/Services	617,712	0.14
		617,712	0.14
Loans			
Vinashin Loan 1.5 25/6/2015	Transportation	8,425,500	1.94
Danao - Loan 8.5% 3/8/2011	Real Estate	2,251,846	0.52
Danao - Loan 8.5% 27/6/2010	Real Estate	1,017,604	0.23
		11,694,950	2.69
Total unlisted investments at fair value		89,330,101	20.52

The Group's interests in the following investments are wholly or partially held through its 100% equity interests in Geffen Limited, VEIL Holdings Limited, Venner Group Limited, Grinling International Limited, Wareham Group Limited and a 90% equity interest in Dragon Financial Holdings Limited, all of which are investment holding companies incorporated in the British Virgin Islands.

Issuer:	Held by:
ACB	Dragon Financial Holdings Limited
Phu My Fertilizer	Venner Group Limited
	Grinling International Limited
	Wareham Group Limited
FPT	Wareham Group Limited
Hoang Anh Gia Lai	Grinling International Limited
	VEIL Holdings Limited
	Wareham Group Limited
Hoa Phat Group	Grinling International Limited
	Wareham Group Limited
	Geffen Limited
Pacific Ocean	Venner Group Limited
Pha Lai Power	Wareham Group Limited
	Venner Group Limited
PV Drilling	Grinling International Limited
	Venner Group Limited
REE	VEIL Holdings Limited
	Wareham Group Limited
	Amersham Industries Limited
Sabeco	Grinling International Limited
Sudico	Wareham Group Limited
Sacombank	Amersham Industries Limited
VFMVF2	Dragon Financial Holdings Limited
Vinamilk	Grinling International Limited
VP Bank	Grinling International Limited
Vinh Son-Song Hinh	Dragon Financial Holdings Limited
	Grinling International Limited
	Venner Group Limited

6. Cash and Cash Equivalents

	2009	2008
	US\$	US\$
Cash on demand	2,685,858	11,279,432
Time deposits	1,253,022	5,238,253
	<u>3,938,880</u>	<u>16,517,685</u>

Included in cash and cash equivalents as at 31 December 2009 was US\$1,253,022 placed as time deposits at banks earning an interest rate of 10.46% per annum (2008: US\$5,238,253 from 10% to 11.7% per annum).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

7. Accounts Payables and Accruals

	2009	2008
	US\$	US\$
Management fee	788,170	656,330
Directors' fees	16,250	13,125
Other payables	501,179	81,807
	<u>1,305,599</u>	<u>751,262</u>

8. Issued Capital

	2009	2008
	US\$	US\$
Authorised:		
500,000,000 redeemable shares at par value of US\$0.01 each	5,000,000	5,000,000
300,000,000 conversion shares at par value of US\$0.01 each	3,000,000	3,000,000
1,000 management shares at par value of US\$0.01 each	10	10
	<u>8,000,010</u>	<u>8,000,010</u>
Issued and fully paid:		
173,823,000 redeemable shares at par value of US\$0.01 each	1,738,230	1,738,230
1,000 management shares at par value of US\$0.01 each	10	10
	<u>1,738,240</u>	<u>1,738,240</u>

Redeemable shareholder present in person or by proxy or by authorised representative shall have one vote and, on a poll, every redeemable shareholder present in person or by proxy or by authorised representative shall have one vote for every redeemable share of which he is the registered holder. The redeemable shares carry rights to dividends as set out in articles 106 to 114 of the Company's Memorandum and Articles of Association, provided however that the redeemable shares shall have no rights to dividends derived from assets attributable to the conversion shares. In a winding up, the redeemable shares carry a right to a return of the nominal capital paid up in respect of such redeemable shares, and the right to share in the manner set out in the Articles of Association in surplus assets remaining after the return of the nominal capital paid up on the redeemable shares and management shares, provided that in a winding up the assets available for distribution among the members are more than sufficient to repay the whole of the nominal capital paid up at the commencement of the winding up. No redeemable shareholder has the right to require the redemption of any of his redeemable shares at his option.

The conversion shares carry the exclusive right to dividends in respect of assets attributable to the conversion share, in accordance with the provisions of articles 106 to 114. No dividend or other distribution shall be declared, made or paid by the Company on any of its shares by reference to a record date falling between the calculation date and the conversion date as set out in the Articles of Association. The new redeemable shares to be issued on conversion shall rank in full pari passu with the existing redeemable shares for all dividends and other distributions with a record date falling after the conversion date. In order for the holder of the conversion shares to participate in the winding up of the Company, the conversion shares, if any, which are in existence at the date of the winding up of the Company will for all purposes be deemed to have been automatically converted into redeemable shares and deferred shares immediately prior to the winding up, on the same basis as if conversion had occurred 28 business days after the calculation date arising as a result of the resolution or the court to wind up the Company.

Until conversion, the consent of the holders of the conversion shares voting as a separate class and the holders of the redeemable shares voting as a separate class shall be required in accordance with the provisions of article 14 to effect any variation or abrogation in their respective class rights.

The management shares shall not be redeemed by the Company, and do not carry any right to dividends. In a winding up, management shares are entitled to a return of paid up nominal capital out of the assets of the Company, but only after the return of nominal capital paid up on redeemable shares. The management shares each carry one vote on a poll. The holders of the management shares have the exclusive right to appoint two individuals to the Board. The holders of the management shares also have the exclusive right to nominate the individuals it has appointed to the Board as Executive Directors of the Company at any time the Company does not have an Investment Manager or at any time that such Investment Manager is unrelated to the holders of the management shares.

Movements in redeemable share capital during the year were as follows:

	2009	2008
	US\$	US\$
Balance at beginning of the year	1,738,230	1,580,210
Redeemable shares issued during the year	-	158,020
Balance at end of the year	1,738,230	1,738,230

Movements in share premium during the year were as follows:

	2009	2008
	US\$	US\$
Balance at beginning of the year	356,666,449	313,021,325
Share premium from redeemable shares issued during the year, net of placement fee of US\$442,456	-	43,645,124
Balance at end of the year	356,666,449	356,666,449

9. Net Asset Value per redeemable share

The calculation of the NAV per redeemable share is based on the net assets attributable to the redeemable shares of the Company as at 31 December 2009 of US\$435,360,428 (2008: US\$365,009,819) and the number of redeemable shares in issue as at that date of 173,823,000 shares (2008: 173,823,000 shares).

10. Fees

The management, incentive, administration and custodian fees are calculated based on the NAV of the Group

Management fee

The Investment Manager is entitled to receive a management fee at 2% per annum of the NAV, payable monthly in arrears on the first business day of such month and calculated by reference to the NAV at the end of the preceding month. During the year total management fee amounted to US\$9,271,956 (2008: US\$10,865,236). As at 31 December 2009, a management fee of US\$788,170 (2008: US\$656,330) was payable to the Investment Manager.

Incentive fee

The Investment Manager, under certain circumstances, is entitled to an incentive fee, payable in arrears within 14 days after the Board has approved the annual audited consolidated financial statements of the Group in respect of the relevant accounting period. The incentive fee is calculated at a rate of 20% of the relevant amount against which the incentive fee will be calculated ("N"), provided that N is a positive figure and that the value of O in the calculation exceeds the highest value of O by reference to the incentive fee paid in any previous year:

$$N = O - P,$$

where:

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

O is the NAV of all the redeemable shares of the Group on the last valuation day in that accounting period plus the NAV of all distributions made in respect of all the redeemable shares of the Group in all prior years by way of dividend, or return of capital, or otherwise; and

P is an amount equal to the amount of capital raised by the issue of the redeemable shares of the Group, exclusive of placing fee, compounded at the rate of 8% per annum with effect from the date of issue of those redeemable shares until the last valuation day in that accounting period.

In order for the incentive fee to have been payable in respect of the year ended 31 December 2009, the NAV per redeemable share of the Group needed to exceed US\$6.33 (2008: US\$5.86). As at 31 December 2009, the NAV per redeemable share of the Group was US\$2.50 (2008: US\$2.10).

No incentive fee was incurred during the year ended 31 December 2009 (2008: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

10. Fees (Continued)

Directors' fees

The fees payable to the Board of Directors of the Group as a whole are subject to a maximum aggregate amount of US\$100,000 per annum. During the year, Directors' fees amounted to US\$58,876 (2008: US\$57,500). Directors' fees of US\$16,250 were payable as at 31 December 2009 (2008: US\$13,125). Dominic Scriven and John Shrimpton have permanently waived their rights to receive Directors' fees for their services as Directors of the Group.

Administration fee

Management International (Bermuda) Limited (the "Administrator") is entitled to receive a fee of 0.1% of the gross assets per annum, payable monthly in arrears and subject to a minimum monthly fee. During the year total administration fee amounted to US\$463,598 (2008: US\$546,815). As at 31 December 2009, an administration fee of US\$39,409 (2008: US\$32,817) was payable to the Administrator.

Custodian fee

Fortis Prime Fund Solutions Bank (Ireland) Limited (the "Custodian") is entitled to receive a fee of 0.03% of the NAV per annum, payable monthly in arrears and subject to a minimum monthly fee. During the year total custodian fee amounted to US\$139,081 (2008: US\$164,047). A total custodian fee of US\$11,823 was payable to the custodian as at 31 December 2009 (2008: US\$9,845).

11. Income Tax

Under the current law of the Cayman Islands, the Company, its subsidiaries and jointly controlled entity are 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.

12. Basic earnings/(losses) per redeemable share

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 US\$ 70,350,609 (2008: loss of US\$580,024,350) and the weighted average of redeemable shares 173,823,000 (2008: 166,463,164 redeemable shares) in issue during the year.

(a) Profit/(loss) attributable to redeemable shareholders

	2009	2008
	US\$	US\$
Profit/(loss)	70,350,609	(580,024,350)
Net profit/(loss) attributable to redeemable shareholders	70,350,609	(580,024,350)

(b) Weighted average number of redeemable shares

	2009	2008
	US\$	US\$
Issued redeemable shares at the beginning of the year	173,823,000	158,021,000
Effect of redeemable shares issued	-	8,442,164
Weighted average number of redeemable shares	173,823,000	166,463,164

(c) Basic earnings/(losses) per redeemable share

	2009	2008
	US\$	US\$
Basic earnings/(losses) per redeemable share	0.40	(3.48)

13. Jointly control entity

The Company has 90% interest and applies the proportionate consolidation method to recognise their interests in Dragon Financial Holdings Limited.

Included in the primary consolidated financial statements are the following amounts related to jointly controlled entity:

	2009 US\$	2008 US\$
Statement of financial position		
Financial assets at fair value through profit or loss	165,658,665	(102,533,618)
Statement of comprehensive income		
Net changes in fair value of financial assets at fair value through profit or loss	110,641,295	56,014,056

14. Financial risk management

The Group invests in listed and unlisted investments in Vietnam, Cayman Islands, Canada, Australia and Hong Kong, and is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds. The Group 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. In essence, the Group and its Investment Manager practise portfolio diversification and have adopted a range of appropriate restrictions and policies. Nevertheless, the markets in which the Group operates can provide no assurance that the Group 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 the Investment Manager.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet a commitment that it has entered into with the Group.

The Group's listed and unlisted investments will only be traded on or subject to the rules of recognised stock exchanges or with counterparties which have, or whose parent company has, a specified credit rating. All transactions in listed and unlisted securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since the delivery of securities sold is made only once the broker has received payment. A purchase payment is only made once the securities have been received by the broker. If either party fails to meet their obligations, the trade will fail.

As at 31 December 2009 and 2008, the Group's credit risk arose principally from its loan and receivables, investments in corporate bonds and loans and cash and cash equivalents.

The maximum exposure to credit risk faced by the Group is equal to the carrying amounts of receivables, investments in corporate bonds and loans and cash and cash equivalents shown on the statement of financial position.

(b) Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price. The Group manages its liquidity risk by investing primarily in marketable securities. The Company also regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 December 2009, all the contractual maturities of non-derivative financial liabilities of the Group were payable within a year.

(c) Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the income of the Group and the value of its holdings of financial instruments.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the values of individual stocks. The trading equity price risk exposure arises from the Group's investment portfolio. The Group is exposed to equity price risk on all of its listed and unlisted equity investments for which an active over-the-counter market exists. The Group's equity price risk is managed by the Investment Manager who seeks to monitor the risk through a careful selection of securities within specified limits.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

14. Financial Risk Management (Continued)

Equity price risk for the Group's listed investments principally relates to investments listed on Vietnam Stock Exchange where a substantial majority of the Group's investments are listed. Management's best estimate of the effect on net assets and losses due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	Change in index level	Effects on net assets	Change in index level	Effects on net assets
	2009	2009	2008	2008
	%	US\$m	%	US\$m
Market indices				
VN Index	50	118.48	50	84.7
VN Index	(50)	(118.48)	(50)	(84.7)
Hanoi Index	50	48.24	50	44.1
Hanoi Index	(50)	(48.24)	(50)	(44.1)

Valuation of one of the Group's unlisted investments is made on the basis of independent quarterly valuations. The methodology of valuation of these investments takes into consideration a variety of factors, which means that the unlisted investments are also exposed to equity price risk.

Interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in the prevailing levels of floating market interest rates on its financial position and cash flows. The Group has the ability to borrow funds from banks and other financial institutions in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which the Group can borrow will affect the operating results of the Group. The Investment Manager monitors the Group's overall interest sensitivity on a monthly basis.

The table below summarises the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at fair value, categorised by maturity date. The net interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

	Up to 1 year	1 – 5 years	Non-interest bearing	Total
31 December 2009	US\$	US\$	US\$	US\$
Assets				
Financial assets at fair value through profit or loss	8,323,194	14,465,430	617,712	23,406,336
Receivables	-	-	1,384,107	1,384,107
Cash and cash equivalents	1,253,022	-	2,685,858	3,938,880
Total assets	9,576,216	14,465,430	4,687,677	28,729,323
Liabilities				
Accounts payables and accruals	-	-	(1,305,599)	(1,305,599)
Total liabilities	-	-	(1,305,599)	(1,305,599)
Net interest sensitivity gap	9,576,216	14,465,430	3,382,078	27,423,724

As at 31 December 2009, should interest rates have lowered by 100 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of redeemable shares for the year would amount to approximately US\$240,416. If interest rates had risen by 100 basis points, the increase in net assets attributable to holders of redeemable shares would amount to approximately US\$240,416.

	Up to 1 year	1 – 5 years	Over 5 years	Non-interest bearing	Total
31 December 2008					
Assets					
Financial assets at fair value through profit or loss	10,567,339	11,826,193	10,684,835	-	33,078,367
Receivables	-	-	-	422,914	422,914
Cash and cash equivalents	5,328,253	-	-	11,279,432	16,517,685
Total assets	15,895,592	11,826,193	10,684,835	11,702,346	50,018,966
Liabilities					
Accounts payables and accruals	-	-	-	(751,262)	(751,262)
Total liabilities	-	-	-	(751,262)	(751,262)
Net interest sensitivity gap	15,895,592	11,826,193	10,684,835	10,951,084	49,267,704

As at 31 December 2008, should interest rates have fallen by 100 basis points with all other variables remaining constant, the decrease in net assets attributable to holders of redeemable shares for the year would amount to approximately US\$383,166. If interest rates had risen by 100 basis points, the increase in net assets attributable to holders of redeemable shares would amount to approximately US\$383,166.

Cash and cash equivalents are subject to cash flow interest rate risk as they bear floating interest rates.

Foreign currency risk

The Group's redeemable shares are denominated in US\$, and shares are issued in this currency. The assets of the Group may, however, be invested in securities and other investments which are denominated in currencies other than US\$. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency exchange rates. The Investment Manager monitors the Group's currency position on a monthly basis. The currencies giving rise to this risk are primarily Vietnam Dong ("VND"), Canada Dollar ("CA\$"), Australia Dollar ("AU\$") and Hong Kong Dollar ("HK\$").

The table below summarises the Group's exposure to various currencies risk.

31 December 2009	AU\$	CA\$	HK\$	VND
Assets				
Financial assets at fair value through profit or loss	-	6,583,122	1,986,629	373,516,892
Cash and cash equivalents	-	-	-	3,709,339
Total assets	-	6,583,122	1,986,629	377,226,231
Liabilities				
	-	-	-	-
Total assets less liabilities	-	6,583,122	1,986,629	377,226,231
31 December 2008				
Assets				
Financial assets at fair value through profit or loss	-	1,534,661	1,056,764	248,770,821
Cash and cash equivalents	2,478	-	117,130	11,066,563
Total assets	2,478	1,534,661	1,173,894	259,837,384
Liabilities				
	-	-	-	-
Total assets less liabilities	2,478	1,534,661	1,173,894	259,837,384

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2009

14. Financial risk management (Continued)

At 31 December 2009, if the US\$ had strengthened or weakened by 5% against the AU\$, CA\$, HK\$ and VND with all other variables held constant, the net assets attributable to redeemable shareholders would have been decreased or decreased by the amounts shown below. This analysis is performed on the same basis as 2008.

	AU\$	CA\$	HK\$	VND
2009	-	367,301	99,331	18,747,640
2008	124	76,733	58,695	12,991,869

(d) Fair values of financial assets and liabilities

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at year end. The following methods and assumptions were used to estimate the fair value for each class of financial instrument:

Cash and cash equivalents, interest, dividends and other receivables and accrued expenses

The carrying amounts approximate their respective fair values due to the short-term maturity of these instruments.

Financial assets at fair value through profit or loss - Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs)

31 December 2009	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss	342,012,939	27,610,385	61,719,716	431,343,040
31 December 2008				
Financial assets at fair value through profit or loss	211,384,696	34,042,983	103,392,803	348,820,482

There were no transfers of equity investments held at 31 December 2009 and 2008 from one level to another.

The following table presents the movements in Level 3 instruments for the year ended 31 December 2009 and 2008:

	2009 US\$	2008 US\$
Opening balance	103,392,803	161,309,137
Sales	(13,686,723)	(8,700,000)
Purchases	17,470,059	6,235,908
Losses recognised in profit and loss	(45,456,423)	(38,302,159)
Closing balance	61,719,716	103,392,803
Total losses for the year included in net changes in fair value of financial assets at fair value through profit or loss	(45,456,423)	(35,897,201)

(e) Capital management

The Group considers the capital under management as equal to net assets attributable to holders of redeemable shares. The Group has engaged the Investment Manager to allocate the net assets in such a way to generate investment returns that are commensurate with the investment objectives outlined in the Group's offering documents.

15. Contingencies

Under the current law of the Cayman Islands, the Company, its subsidiaries and jointly controlled entity are 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 to its shareholders or on the winding-up of the Company. The Company is subject to 10% withholding tax on the interest received from any Vietnamese companies. Dividends remitted by Vietnamese investee companies to foreign investors are not subject to withholding taxes.

Although the Company, its subsidiaries and jointly controlled entity are not incorporated in Vietnam, its activities are primarily focused on Vietnam. In accordance with the prevailing tax regulations in Vietnam, if an entity was treated as having a permanent establishment, or as otherwise being engaged in a trade or business in Vietnam, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax in Vietnam. As at the date of this report the following information is uncertain:

- Whether the Company, its subsidiaries and jointly controlled entity are considered as having permanent establishments in Vietnam;
- The amount of tax that may be payable, if the income is subject to tax; and
- Whether tax liabilities (if any) will be applied retrospectively.

The implementation and enforcement of tax regulations in Vietnam can vary depending on numerous factors, including the identity of the tax authority involved. The administration of laws and regulations by Government agencies may be subject to considerable discretion, and in many areas, the legal framework is vague, contradictory and subject to interpretation. The Directors believe that it is unlikely that the Group will be exposed to tax liabilities in Vietnam, and in the worst case, if tax is imposed on income which has arisen in Vietnam it will not be applied retrospectively.

16. Corresponding figures

Certain corresponding figures have reclassified to conform with the current year's presentation as follows:

Consolidated statement of comprehensive income	2008	2008
	US\$	US\$
	(As reclassified)	(As previously stated)
Bank interest income	1,074,226	-
Bond and loan interest income	1,554,155	-
<u>Interest income</u>	<u>-</u>	<u>2,628,381</u>

Consolidated statement of cash flows	2008	2008
	US\$	US\$
	(As reclassified)	(As previously stated)
Bank interest income	1,074,226	-
Bond and loan interest income	1,554,155	-
<u>Interest income</u>	<u>-</u>	<u>2,628,381</u>

17. Subsequent events

VRICL-Tiberon

On 30 April 2010 agreements were entered into by Tiberon Minerals Ltd Pte ("Tiberon") and Vietnam Resource Investments (Cayman) Limited ("VRICL") to restructure the Company's indirect interests in Nui Phao, the Company's investment in VRICL-Tiberon. The closure of the transaction is subject to certain conditions including regulatory and Government approvals. Should these conditions be satisfied, the Company will transfer its equity investment related to Nui Phao to subsidiaries of the Masan Group ("Masan"), a large publicly listed Vietnamese company, in exchange for a combination of equity and share options.

18. Approval of the consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 10 June 2010.

Administration

The shares of Vietnam Enterprise Investments Limited (“VEIL” or the “Company”), are listed on the Irish Stock Exchange.

Price updates are available on Bloomberg (VIETENI KY EQUITY) and Reuters (DRAGON1).

The Company

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British West Indies

Administrator, Registrar and Secretary

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British West Indies

Custodian

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Listing Sponsor

McCann FitzGerald Listing Services Limited
Riverside One
Sir John Rogerson's Quay
Dublin 2, Ireland

Board of Directors

Richard McKegey

(Born 1945, Appointed to the Board 1995)

Chairman and Independent Non-Executive Director

Richard McKegey is a graduate of the University of Puget Sound in Washington State and the American Graduate School in Arizona. Mr. McKegey began his career with American Express Bank and has held numerous positions throughout Asia. He is currently the head of the Asia Pacific region for the National Bank of Kuwait, based in Singapore, where he has responsibility for the Asia Pacific region including the bank's representative offices in Ho Chi Minh City, Vietnam, and Shanghai, China. Mr. McKegey 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. He resides in Singapore.

Wolfgang Bertelsmeier

(Born 1947, Appointed to the Board 2009)

Independent Non-Executive Director

Wolfgang Bertelsmeier holds a Master's degree in business administration, economics and banking from the University of Frankfurt. He also studied at the Université de Poitiers, France where he received a "Diplôme d'Etudes Françaises". Mr. Bertelsmeier started his career at Deutsche Bank in Frankfurt before joining Deutsche Entwicklungs Gesellschaft then moving to the World Bank in 1976 where he held a number of positions in the industry and energy departments. Mr. Bertelsmeier joined IFC in 1990 where he has held various positions. From 2004 until his retirement from IFC in July 2007, he was the Special Representative Europe in charge of the IFC offices in Paris, London, Brussels and Frankfurt. He was also involved in IFC's activities in Southeast Asia, including projects in Vietnam, as principal investment officer for the agribusiness department at IFC's headquarters in Washington D.C., and was the first resident representative for Vietnam in September 1997. He resides in Washington D.C.

Hartmut Giesecke

(Born 1937, Appointed to the Board 2006)

Independent Non-Executive Director

Hartmut Giesecke has a Master of economics degree from Freiburg University, Germany and an MBA from Columbia University Graduate School of Business. Mr. Giesecke joined the Capital Group organisation in Geneva, Switzerland and then moved to Los Angeles to work for Capital Research Company as an analyst covering non-U.S. markets and later as an international portfolio manager. In 1982 he moved to Japan where he headed Capital's Japanese business, starting as representative and director of Capital Research Company and then as general manager and president of Capital International K.K. In the fall of 1992, he transferred to Singapore to assume responsibility as managing director, Asia Pacific of Capital Group International, Inc., the holding company of Capital's global institutional investment business. He retired from active portfolio management in July 2005 but continues to serve as a senior consultant to Capital International, Inc. in Singapore. He resides in Germany.

Dominic Scriven O.B.E.

(Born 1963, Appointed to the Board 1995)

Non-Executive Director

Dominic Scriven graduated in 1985 from Exeter University with a combined honours degree in law and sociology and was awarded an O.B.E. in 2006. In 1985 he started working with M&G Investment Management London before moving to Hong Kong to work for Sun Hung Kai and Co in 1986, and then Citicorp Investment Bank. In 1991 he moved to Vietnam, spending two years enrolled at Hanoi University, before, in 1994, co-founding Dragon Capital Group. A Vietnamese speaker, Mr. Scriven sits on the boards of numerous Vietnamese and non-Vietnamese companies, including five companies listed on the Vietnam Stock Exchange. He resides in Ho Chi Minh City, Vietnam.

John Shrimpton

(Born 1962, Appointed to the Board 1997, Resigned from the Board March 2010)

Non-Executive Director

John Shrimpton graduated from Newcastle University in 1984 with an honours degree in law. After working as a financial advisor in London and, from 1986, in Asia, he worked from 1988 as one of the first institutional salesmen specialising in the Asian emerging markets at W.I. Carr (Far East) in Hong Kong. In 1991, he moved to Bangkok, Thailand and joined Dynamic Eastern Finance Thailand, a securities and finance company listed on the Stock Exchange of Thailand, as institutional sales director. In 1994, he returned to Hong Kong where he worked as a Thai specialist institutional salesman at HSBC James Capel Asia. Having co-founded Dragon Capital Group in 1994, he moved to Ho Chi Minh City in November 1996 to work full time with the Group. In addition to serving on the boards of all the publicly listed equity funds managed by Dragon Capital and a number of their investee companies, Mr. Shrimpton has been active in the origination of investment opportunities for investment management clients of Dragon Capital. He resides in Ho Chi Minh City, Vietnam. He resigned from the Board in March 2010.

Name Abbreviations

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

Full Name by Sector	Short Name
Banks	
Asia Commercial Joint Stock Bank	ACB
Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank
Vietnam Commercial Joint Stock Bank for Private Enterprises	VP Bank
Diversified Financials	
HCMC Infrastructure Investment Joint Stock Company	CII
Saigon Securities Incorporation	SSI
Energy	
Pacific Ocean Shipping Joint Venture Company	Pacific Ocean
PetroVietnam Drilling and Well Services Joint Stock Company	PV Drilling
Food/Beverage	
Saigon Beer Alcohol and Beverage Company	Sabeco
Vedan International (Holdings) Limited	Vedan
Vietnam Dairy Products Joint Stock Company	Vinamilk
Funds	
Vietnam Securities Investment Fund - VF1	VFMVF1
Vietnam Securities Investment Fund - VF2	VFMVF2
Vietnam Investment Fund Singapore Limited	VIFS
Materials/Resources	
Asian Mineral Resources Limited	Asian Minerals
Hoa Phat Group Joint Stock Company	Hoa Phat Group
Olympus Pacific Minerals Incorporated	Olympus Pacific
Petrovietnam Fertilizer & Chemical Joint Stock Company	Phu My Fertilizer
Vietnam Resource Investments Cayman Limited (Tiberon Investment)	VRICL-Tiberon
Real Estate	
Danao International Holdings Limited	Danao
Danao Limited Loan 8.5% 27/06/2010	Danao Loan 8.5% 27/06/2010
Danao Limited Loan 8.5% 03/08/2011	Danao Loan 8.5% 03/08/2011
Development Investment Construction Corporation	DIG
Hoang Anh Gia Lai Joint Stock Company	Hoang Anh Gia Lai
Hoang Anh Gia Lai Joint Stock Company 0% 7/10/2010	HAG Bond 0% 07/10/2010
Project Design and Development Joint Venture Company Limited	PDD
Refrigeration Electrical Engineering Corporation	REE
Songda Urban & Industrial Zone Investment and Development Joint Stock Company	Sudico
Songda Urban & Industrial Zone Investment and Development Joint Stock Company - Right Issue	Sudico Right
Software/Services	
Financing and Promoting Technology Corporation	FPT
Financing and Promoting Technology Corporation Bond 7% 09/10/2012	FPT Bond 7% 09/10/2012
Financing and Promoting Technology Corporation Warrant 09/10/2012	FPT Warrant
Glass Egg Digital Media Limited	Glass Egg
Glass Egg Digital Media Limited Promissory Notes 9% 31/12/2008	Glass Egg Promissory Notes 9% 31/12/2008
Global Cybersoft Incorporation	Global Cybersoft
Transportation	
Vinashin Loan 6mths Libor 1.5% 25/06/2015	Vinashin Loan 1.5% 25/06/2015
Utilities	
Pha Lai Thermo Power Joint Stock Company	Pha Lai Power
Vinh Son-Song Hinh Hydropower Joint Stock Company	Vinh Son-Song Hinh



WAR
WILDLIFE AT RISK
Photo by Nguyen Vu Khoi - WAR

Join the Struggle to Save the Endangered Wildlife of Vietnam

Wildlife At Risk ("WAR") is a non-profit organisation, based in Ho Chi Minh City, and active throughout the southern provinces of Vietnam. WAR is governed by the Trustee, Dominic Scriven O.B.E. and is staffed by experienced international and Vietnamese professionals.

Vietnam's wildlife faces a desperate fight for survival in the 21st Century. Without urgent intervention, many of the Country's endangered species will soon be wiped out. They are being driven to extinction by habitat loss, hunting, pollution and, above all, the flourishing illegal wildlife trade.

WAR's mission is to dedicate itself to the long-term conservation of Vietnam's threatened biodiversity. It aims to reduce the pressure on Vietnam's wildlife by helping to build local capacity to implement legislation, raise environmental awareness and develop alternatives to the unsustainable exploitation of Vietnam's natural resources.

WAR is dedicated to protecting the biodiversity of Vietnam by combating the illegal wildlife trade, raising environmental awareness and promoting the conservation of endangered species and their habitats.

WAR's strategy is to focus on three interlocking themes:

- Enforcement: Action to reduce the exploitation of endangered species and to support the confiscation, rehabilitation and possible release of illegally traded wildlife.
- Awareness: Influencing behaviour, changing attitudes to wildlife and promoting sustainable use of natural resources.
- Protection: In situ conservation to safeguard specific endangered species and their habitats.

WAR's long-term goal is to develop a range of complementary and sustainable programmes that address these key conservation themes holistically. To date, the organisation has focused on specific projects that address the most urgent priorities identified by its local partners.

WAR was registered as a non profit corporation in Delaware, USA, in October 2003. It was granted its first licence in Vietnam in August 2004 via the People's Committee Licence Number: BM264/UB-HD.

WAR welcomes the support of individuals and institutions in the fight to maintain our heritage in this region of the world. Don't stand back and leave the battle to others.

Stand with us and do your bit. Everyone counts. And the time to act is now!



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