

VIETNAM ENTERPRISE INVESTMENTS LIMITED

ANNUAL REPORT 2010



DRAGON
CAPITAL

CONTENTS

Summary of Financial Information	02
Chairman's Statement	03
Investment Manager's Report	04
Governance	28
Report of the Board of Directors	30
Independent Auditors' Report	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Comprehensive Income	35
Consolidated Statement of Changes in Equity	36
Consolidated Statement of Cash Flows	37
Notes to the Consolidated Financial Statements	38
Administration	64
Board of Directors	65
Name Abbreviations	66
Dragon Capital - 16 Years in Vietnam	68

Summary of Financial Information

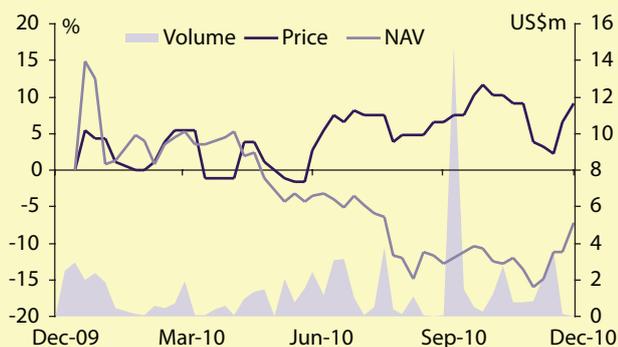
Performance

	31 December 2010	31 December 2009	% Change
Total net assets	US\$419,016,120	US\$435,360,428	(3.75)%
Number of outstanding shares	170,107,498	173,823,000	(2.14)%
NAV per share	US\$2.46	US\$2.50	(1.60)%
Share price (mid-price)	US\$2.02	US\$1.85	9.19%
Discount	(17.89)%	(26.00)%	(31.19)%
US\$/VND exchange rate	19,500	18,479	5.53%
VN Index (price return - VND term)	484.66	494.77	(2.04)%
VN Index (total return - US\$ term) Source: Bloomberg	-	-	(4.45)%

Period's High and Low (US\$)	Year to 31 December 2010		Year to 31 December 2009	
	High	Low	High	Low
NAV per share	2.87	2.10	3.40	1.94
Share price (mid-price)	2.07	1.82	2.15	1.15

Source of Income (US\$)	31 December 2010	31 December 2009	% Change
Dividend income	14,610,858	7,959,550	83.56%
Bond and loan interest income	422,979	1,401,560	(69.82)%
Bank interest income	18,336	170,273	(89.23)%
Other income	135,000	854,282	(84.20)%
Total	15,187,173	10,385,665	46.23%

Share Price & NAV



Source: Dragon Capital

Premium/(Discount) of Price to NAV



Source: Dragon Capital

Chairman's Statement

2010 was a very tough year for Vietnam and its stock market. The side effects of a stimulus package to address the recent global economic crisis as well as of years of poor management of foreign exchange left the country with numerous macroeconomic challenges: high inflation, an out-sized trade deficit, and a huge errors and omissions ("E&O") position in the balance of payments ("BOP") to name a few. The Government's measures to address these challenges, while being positive long term, negatively affected capital inflows to the real estate sector and stock market and, as a result, the VN Index moved sideways in a narrow band for most of the year. However, the default by the massive state owned enterprise ("SOEs"), Vinashin, and the implementation of 'Circular 13' by the State Bank of Vietnam ("SBV"), which introduced higher capital adequacy ratios and lending restrictions for real estate and securities investments, broke the doldrums sending the market south. Towards year-end the stock market recovered on pre-Party Conference optimism and expectations that the new Government would implement necessary policy changes to tackle macroeconomic challenges during its 2011-2015 term.

In 2010 the VN Index dropped 4.45% in US\$ terms, making it one of the worst performing stock markets amongst its Asian emerging markets peers. Exchange traded funds ("ETFs") made up the majority of US\$1bn which poured into the market buying mainly large cap, thinly traded stocks with available foreign room. Given that these large cap stocks are major constituents of the VN Index the buying prevented a worse performance from the stock market. Excluding these namely: Bao Viet Holdings ("BVH"), Vincom ("VIC") and

Masan Group, the VN Index would have dropped 19.48% in US\$ terms. In this environment the performance of Vietnam Enterprise Investments Limited (the "Company" or the "Fund") was flat in 2010, down by 1.6%, but yet one of the best performing Vietnam focused equity funds.

During the first half of 2010 the Company's investment focus was refined within the existing mandate to reflect the evolving financial markets in Vietnam. The investment strategy behind the mandate is:

- focusing on growth and value with good corporate governance
- an investment universe comprising of listed stocks
- unlisted companies to be considered if listing is planned within 18 months
- equity-linked instruments such as convertible bonds
- an ideal portfolio size of around 25 holdings
- single sector concentration limited to 40% of Net Asset Value ("NAV")
- single company or issuer limited to 12% of NAV at the time of investment
- performance measurement against the VN Index on a rolling three-year basis.

Based on the refined mandate the Investment Manager focused on reducing the Company's exposure to private equity. Among others the Investment Manager exchanged the Company's investment in VRICL-Tiberon for Masan-Promissory Notes which are

converted into the listed Masan Group shares in the future. The Investment Manager also reduced, where possible, other private equity holdings, resulting in a significantly lower exposure to the sector from 10.74% to 5.56% compared with 2009. The Investment Manager furthermore rebalanced the portfolio to minimise systemic risks and capitalise on foreign buying activity.

The above changes allowed the Company to beat the VN Index by 2.8% and to position itself as a flagship fund for listed blue chip holdings on very attractive valuations. Today, listed, pre-listed, listed stock-linked instruments and cash make up for more than 95% of NAV. This provides for a transparent portfolio with attractively valued holdings which, together with a share buy-back programme, have helped reduce the discount from -26.00% to -17.89% over the past year.

Looking ahead, there are still many challenges for Vietnam: inflation, the trade deficit, dollarisation of the economy and a high interest rate environment. However, the Government has now acknowledged and recognised the problems and has introduced a series of serious policy changes to address these challenges with a goal of achieving growth with stability. Whilst this implies slower growth it also means sustainable growth with fewer crises leading to an environment which supports investments focused on stable yields coupled with high capital gains.

Richard McKegney
Chairman
Vietnam Enterprise Investments Limited
28 April 2011

Investment Manager's Report

Economy

Next Economic Reform Gets Real

The economic reform package called 'Doi Moi', which began in 1986, was designed to address serious hyperinflationary and budgetary problems at that time and to resolve the causes of underlying economic structural weakness. The reform was implemented systematically in 1989 and laid the base for high economic growth, second only to China's growth of close to 10%. This growth combined together with the country's favorable demographics and political stability prompted many to start calling Vietnam the next Asian tiger. But progress stalled on the back of bad macro policy decisions and the economy has since followed an unhealthy boom and bust pattern.

The economy posted strong 2010 GDP growth of +6.8%, exceeding the official target of +6.5% and last year's growth of +5.3%. However, this success came at a cost. The country faces today serious economic instability from high inflation, a large trade deficit and a weak currency. The consumer price index reached +11.8% in 2010 and the trade deficit was reported at US\$12.4bn, more or less unchanged from 2009 but a reduction from 14.5% to 12% of GDP. Whilst the current account deficit is fully covered by a capital account surplus, the inflation/trade-deficit nexus erodes the confidence in the currency, which in turn leads to a drain in reserves further undermining the currency which in the past five years lost 30%. This is all reflected in the E&O line of the BOP, which we expect to show US\$12.0-12.5bn in 2010.

Most of these problems can be traced back to the SOEs which evolved into uncontrolled 'monsters' when the

Government decided to impose the chaebol model for Vietnam's development at the beginning of 2000. The SOEs grew fitfully for a few years and then suddenly metastasised during the capital boom of 2006-2008, effectively hijacking the economy where dynamics have never been the same since.

SOEs presently account for 45-50% of all capital investment while producing only about 20-25% of real GDP and employing some 5% of the labour force. The standard way to measure their productivity is via the Incremental Capital Output Ratio ("ICOR"). The higher the ICOR, the lower the returns from capital, and Vietnamese SOEs currently come in at 11x, vs 5x in 2005. Their increasingly profligate investment - sucking in imports, pumping inflation, debasing the currency - has created the whole feedback loop of macro instability that the Government must now break.

The State corporate sector is a stronghold of vested interests but the Vinashin debacle shows that the Government is starting to tackle it. The Prime Minister unexpectedly allowed the company to default, and while his refusal to foot the debt bill has increased sovereign risk ratings, it also sends a powerful message to SOEs about shoring themselves up. Vinashin is atypical of other SOEs in the epic extent of its use of the wrong economic model. This model mismanaged cheap labour in a capital intensive industry. Hence, further meltdowns are unlikely but the usual gross inefficiency will be continuing for some time. The Government's follow-up measures all indicate that it is getting serious about tackling these inefficiencies.

As of July 2010, all SOEs became limited liability companies. They retained their directors and management but their legal footing has crucially changed, with no more automatic call on the Government to underwrite losses, or to implicitly guarantee loans. Banks will now have to think twice before lending money to SOEs. The Government also imposed a strict limit on SOEs' non-core business investments, at a maximum 30% of paid-in capital. Meanwhile, in terms of infrastructure development, planners realised that not only the budget but also the governance and oversight is inadequate. As a consequence they authorised a Public-Private Partnership scheme for infrastructure projects and allowed private firms to access ODA capital.

In parallel with its move to reign in the State corporates, the Government implemented bank reforms. Prior to 2011, the SBV had no clear policy mandate and was restricted to implementing money supply targets set by the National Assembly. However, as of January 2011, a new Central Bank Law established full independence of the SBV, with (in theory) full discretionary power over monetary policy. Ahead of this the SBV put through Vietnam's own version of Basel 3, via the so-called 'Circular 13'. This decree aims to rationalise the banking industry by imposing higher levels of capital adequacy, better standards of risk management, and generally tougher prudential regulation. The end result is one of greater loan discipline, demonstrating the Government's decision to favor stability over growth.

Around mid 2010, both fiscal and monetary policies were compromised by the political calendar. In anticipation of

the Party Congress in January 2011, policy makers delayed some of their tightening measures until after the Party Congress as GDP growth was on the top list of their agenda. However, the new Government came promptly under pressure to stabilise the economy to achieve their set of macro targets for the next five years. As a result, a month after the Party Congress, in a coordinated effort the Prime Minister called on all ministries, agencies and localities to join a fight against inflation to stabilise the macro-economy and ensure social security which was reflected in the March 2011 resolution 11. The package formalised the recent monetary-fiscal tightening actions, combined with an unprecedented level of coordination in implementing them, confirming that this time policy was getting real.

On the monetary front, the SBV has slashed the 2011 loan growth target from 25% to 18-19% (inclusive of corporate bonds) and the M2 target from 20% to 16%. Historically in Vietnam, credit expansion leads inflation by six to nine months, so a reduced M2 should start mitigating price pressures from Q3 2011 onwards. The SBV has also decreed that loans to so-called 'non-productive business' - code for property and stocks - must be cut to 22% of loan books by 30 June and 16% by 31 December. Mandatory Reserve Requirements will be doubled for any banks that fail to comply. The SBV also ordered banks to be 'prudent' on US\$ lending, with the meaning of 'prudent' typically left unclear, but appearing to require that borrowers should have US\$ revenues. An implied threat of sanctions hangs over banks that are 'imprudent' as determined by regulators.

Meanwhile the Ministry of Finance ("MOF") announced fiscal measures to rein in SOEs. It emphasised the need to hold public investment down, lowering the 2011 budget deficit target to a maximum 5.0% from the 5.8% actually achieved in 2010. Most of the savings are projected to come from a 10% reduction in spending, centered on cuts in specific SOE projects. The MOF also repeated its suspension of guarantees for new SOE loans or bond issues. These actions hit directly at SOEs' cheap funding, along with tougher prudential regulation of the banking sector now being put in place.

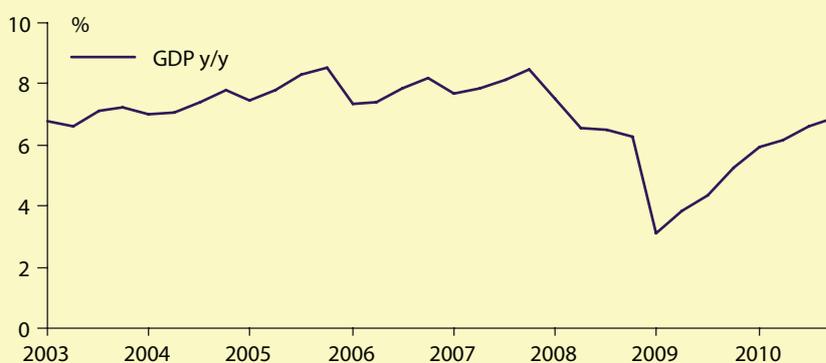
Further, the SBV and the MOF are planning to work together to control gold speculation, through surveillance of gold-bar trading. The Government has banned this activity for smaller jewelry shops, which do most of the smuggling using black-market US\$ finance. By centralising trade in a few big players, the regulators hope to minimise the discrepancy between domestic and international prices, and thus disincentivise the frantic gold outflow through 'E&O' in the BOP. This is key to sentiment.

These are major steps in the right direction. However, we have to follow closely the implementation process of fiscal austerity and the constraint of SOE's investment since these are the key to determine the economic path for Vietnam in the next five to ten years.

Investment Manager's Report (Continued)

Real GDP Growth

According to the General Statistics Office ("GSO") the economy posted strong Q4 GDP growth of 7.3%, compared to 7.2% in Q3 and 6.4% in Q2. The full-year expansion was 6.8%, surpassing the official 2010 target of 6.5%, not to mention the 2009 actual of 5.3%. The construction and industrial sector was the biggest contributor at 7.7%, followed by services at 7.5%; each comprising about 40% of GDP and thus accounting for the bulk of growth. Agriculture was the laggard; accounting for 20% of GDP, it was only +2.8%, with bad weather and epidemic diseases offsetting the benefits of higher commodity prices.



Source: GSO

Retail Sales

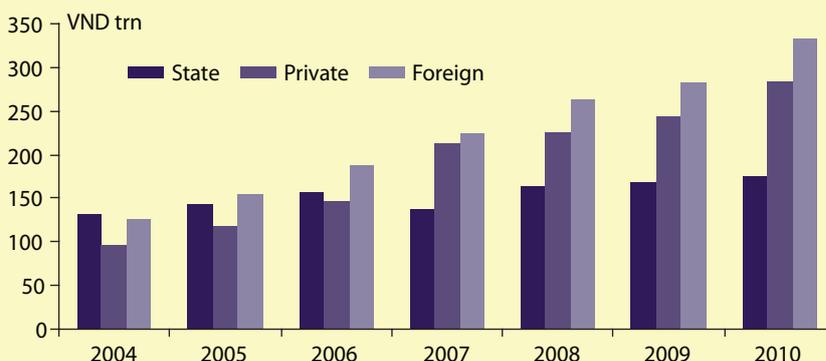
Retail sales posted a strong growth of 30%, accelerating from 24% in 2009. High interest rates continued to dominate the economy in 2010 but rising income and a well hedged personal wealth, via gold and US\$, helped boost consumption. As the Government set inflation control as its priority target, and reduced the credit-growth target to 20% from 31% in 2010, so retail sales growth could well slow down in this year.



Source: GSO

Industrial Production

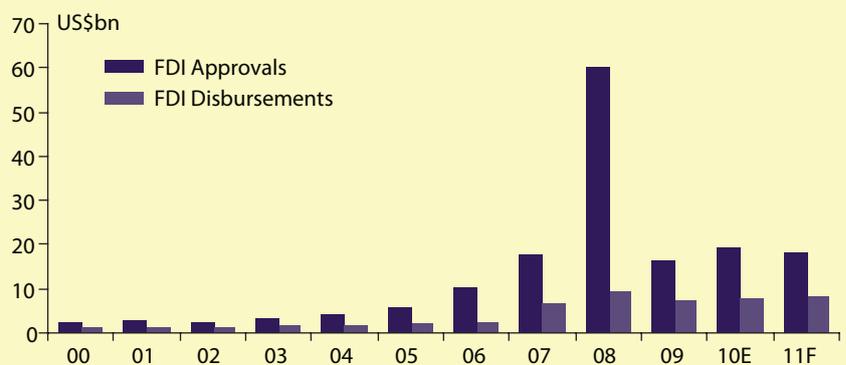
Industrial production accelerated to 14% in 2010 from a growth of only 6.7% in 2009. As usual, the leading sectors are the private and foreign sector with growth of 14.7% and 17.2% respectively; while the state sector is still the laggard at 7.4%. While most products showed strong growth, crude oil production dropped the most to 8.8% and 15 million tons during the year.



Source: GSO

Foreign Direct Investment

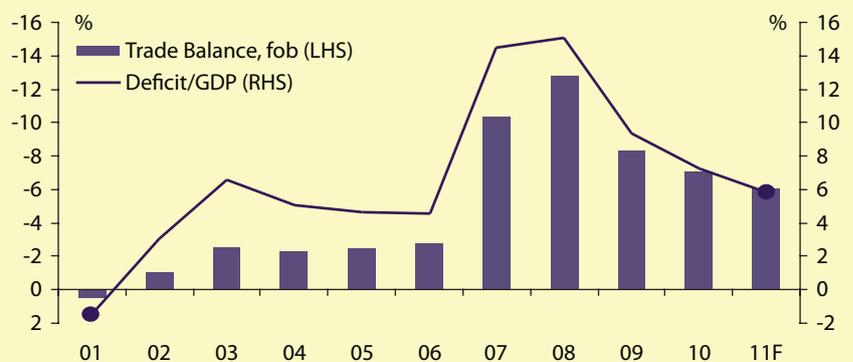
Despite high uncertainty in the value of the Vietnam Dong ("VND") during the year, Foreign Direct Investment ("FDI") continued to strongly flow into Vietnam in 2010, with US\$8bn compared with US\$7.6bn in 2009. Manufacturing and real estate are still the two biggest sectors in terms of attracting FDI. As Vietnam labour costs are low compared to its peers, and considering that the Government aims to control inflation to maintain competitiveness, we expect FDI to remain robust in 2011.



Source: GSO, International Financial Statistics ("IFS"), Dragon Capital

Trade Balance

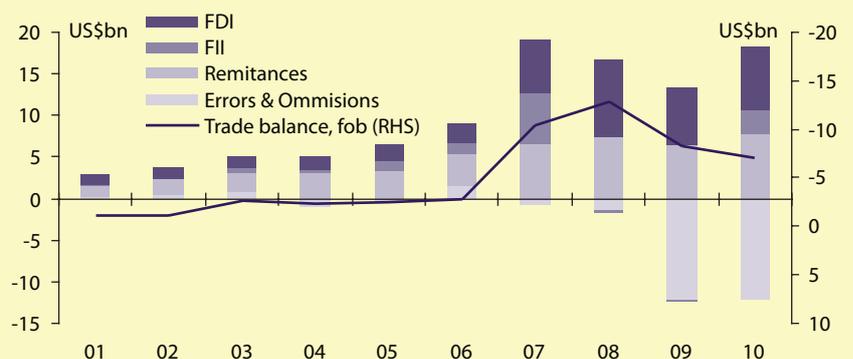
The trade balance continued dropping in 2010 as exports outpaced imports, 26.4% vs 21.2%. Export growth was led by manufacturing exports which grew by +32% followed by other commodities which increased by +23% whilst oil exports dropped 20%. On the other side, import growth slowed because of high interest rates that constrained a lot of the unnecessary or inefficient import, especially from SOE companies. As Vietnam decreases Government spending to reduce its fiscal deficit, the trade deficit is expected to drop further.



Source: GSO, IFS, Dragon Capital

General Balance of Payments

Supported by high dollar interest rates, Vietnam received a huge amount of remittances in 2010, US\$7.8bn vs US\$6.5bn in 2009. Foreign Indirect Investment ("FII") also reversed its trend to a surplus of US\$2bn against a deficit of -US\$0.2bn in 2009. Whilst most inflows were strong, E&O remained very high, US\$12.1bn, reflecting prolonged-weak confidence in the VND.

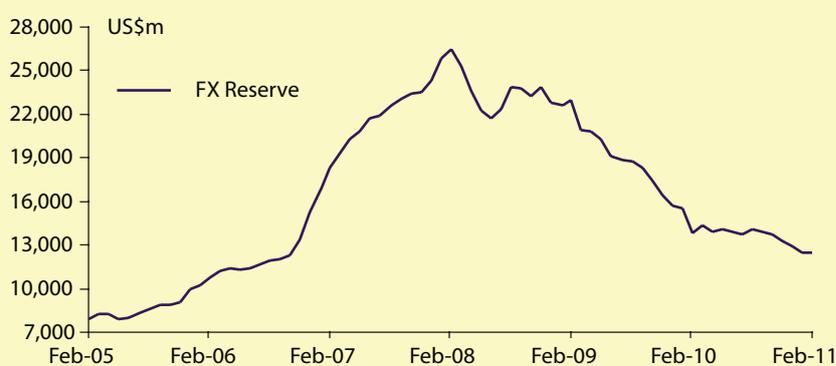


Source: GSO, IFS, Dragon Capital

Investment Manager's Report (Continued)

Foreign Currency Reserve

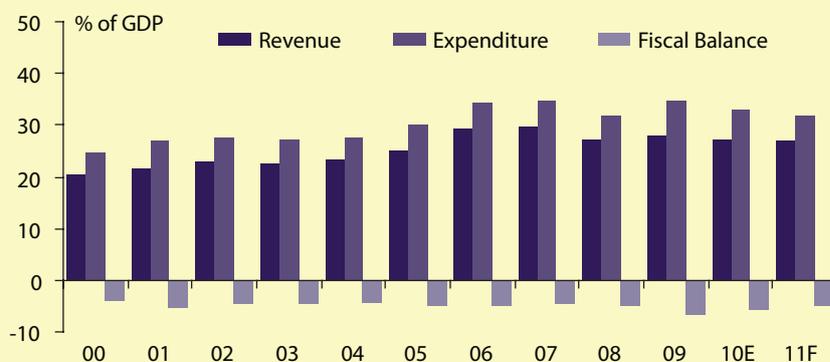
Foreign exchange ("FX") reserves continued falling from US\$16.5bn at beginning of the year to US\$12.5bn at the end of 2010, a US\$4bn drop. The drop somewhat moderated as we saw inflows to Vietnam that were larger than outflows. The main reason for falling reserves were the big E&O which show that people are hoarding US\$ and gold. Some sources estimate that foreign reserves are only US\$10bn but we think that's just the net amount kept by SBV. The total reserves should include Dollars from the MOF and others as well.



Source: IFS, Dragon Capital

Fiscal Balance

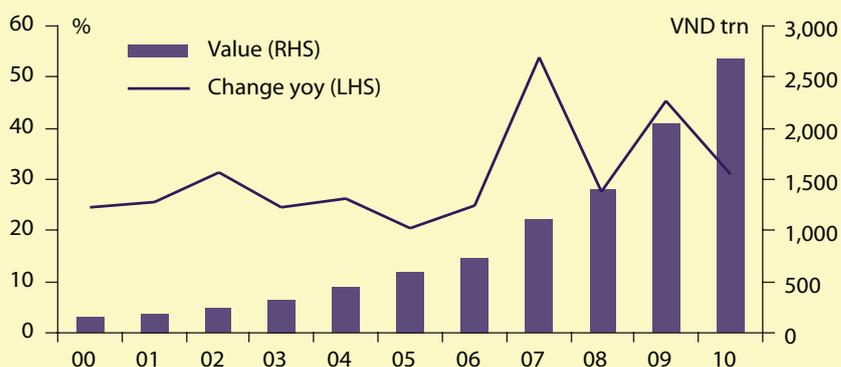
As the stimulus package was gradually withdrawn, the Government tried to reduce its fiscal imbalance. The budget deficit was estimated at 5.8% of GDP as at end of 2010, well below the 2010 plan of 6.2% and 6.9% in 2009. Corporate Tax, Value Added Tax (VAT), Personal Income Tax and Natural Resource Tax contributed the most to the robust revenue growth. Looking forward to 2011, the Government revised the target budget deficit to below 5% from the initial plan of 5.3%. The lower deficit is expected to come from better revenues and reduced expenditures.



Source: MOF

Credit Growth

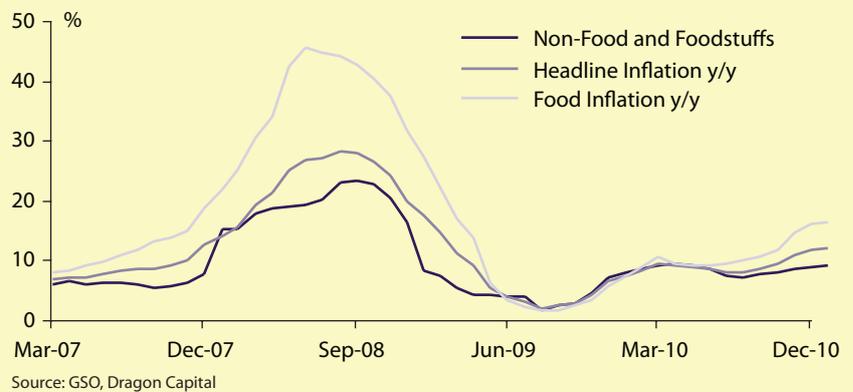
Credit growth in 2010 reached 31% year on year, exceeding the official target of 25%. Excluding the currency revaluation, credit growth was however 28% year on year. Given the fight against inflation and the target to stabilise the macro economy, the credit growth target has been set at a maximum of 20% for 2011.



Source: SBV, IFS, Dragon Capital

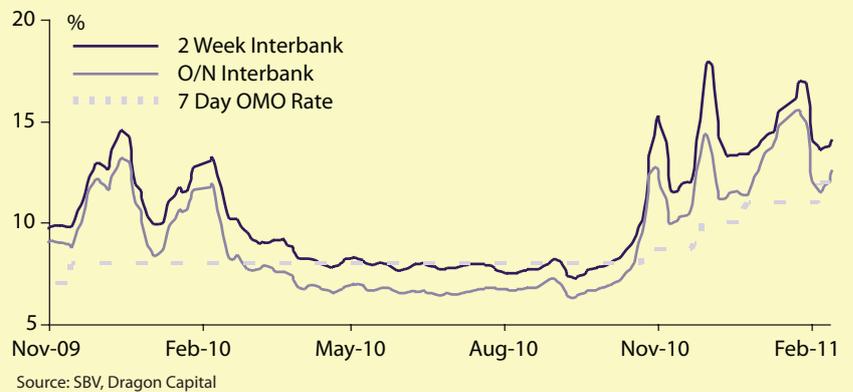
Inflation

After dropping to 6.5% in 2009, inflation went back up to 11.8% in 2010 led by a 19.4% and 16% increase in education costs and food prices respectively. In 2011, we anticipate inflation to hit double digits by the year end as a result of market liberalisation of petroleum and electricity prices.



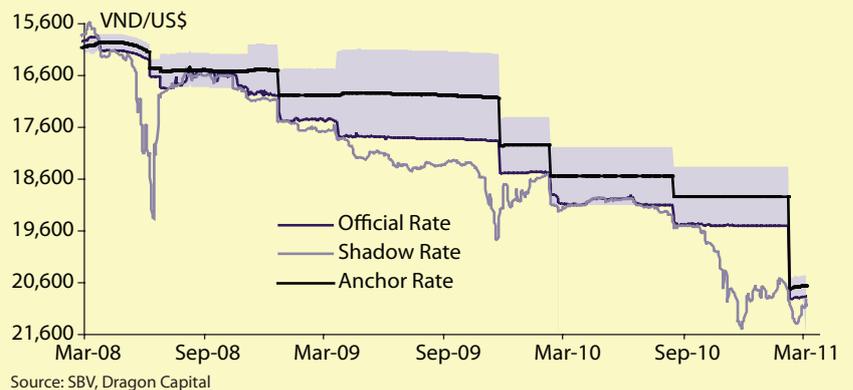
Monetary Policy

In the first half of the year, interbank rates were very stable and tracked the Open Market Operation (“OMO”) rates very closely. However, the second half of 2010 saw increasing rates as the SBV began tightening the money supply. SBV started actively managing OMO rates to manage liquidity of the banking sector and achieve money supply targets.



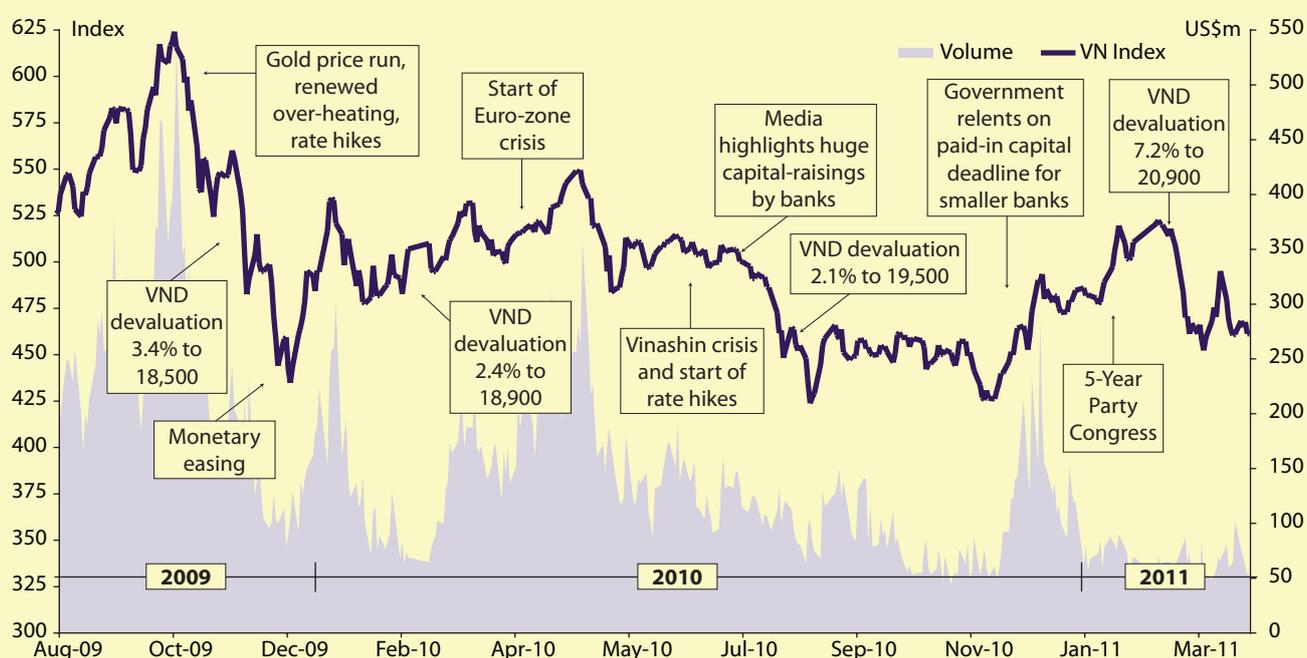
The Domestic Currency

The VND was under depreciation pressure in the second half of the year with the interbank VND/US\$ rate trading 5-7% above the weak side of the official trading band. For the year, the exchange rate depreciated 5% in the official market but 10% in the unofficial market. We anticipate some 10% depreciation for 2011 in the official market - with a 7.2% adjustment already occurring in February 2011. However, we expect the unofficial market to depreciate less than 5% this year.



Investment Manager's Report (Continued)

Stock Market



Source: HOSE, HATSC and Dragon Capital

The VN Index was little changed during 2010, losing just 2% to 485. But this was a dismal showing versus regional bourses. In fact, it was the fourth year of underperformance since 2007, aggravated as always by currency devaluation, which put US\$ returns at -10%.

The VN Index advanced through Q1 2010 as monetary tightening from late 2009 was reversed. But the market lagged its counterparts in the region as worries continued over the macro outlook. Sentiment was not helped by a 2.4% devaluation that had to be carried out in February, down to VND18,899:\$1, to address rising inflation and a relentlessly higher gold price. Still the market was

only modestly behind some of the other Asian exchanges, and in the spring it weathered the Euro-zone crisis with no more damage than its peers. Early May proved to be the peak for Vietnam, however, at 550 on the VN Index.

From May onwards, interest rates stopped falling as signs of overheating became impossible for the Government to ignore. No less important, the authorities began to push through major bank sector reforms, via increased paid-in capital requirements, higher capital adequacy ratios and a general clean-up of lending practices. These measures had long been mooted but implementation caught the market by surprise, as banks were forced to

undertake new issuance of some US\$5-6bn to meet the tougher financial ratios. Some of this was in the OTC market, so corporate actions were spread across the system, but they nonetheless added up to a huge collective call on the pool of available capital.

Banks' rights issues started in June, and to this was added the final meltdown of Vinashin. From this point onwards Vietnam simply decoupled from the region, plunging while the rest of Asia soared. Not only did capital raisings come on strong, but inflation kept rising, heading to 12% by year-end, and rates were further hiked in response, ultimately reaching 18%. With gold also rising steadily, the VND had to be

devalued again, by 3.1% to VND19,500:US\$1 in mid-August. That brought a final plunge to the year low of 424 on the VN Index. Banks led the market down, closely followed by brokers and properties.

The market rallied after that, since 424 was seen to be overdone in terms of valuations and technicals. But the recovery mostly took the form of fluctuations around the 450 mark, on ever-fading volume - down to as low as US\$40m on some days in Q4 2010. A bit of momentum gathered towards the end of the year as the Government extended the deadline for certain small banks to meet their paid-in capital numbers. As well, investors began to anticipate a favorable outcome from the Party Congress scheduled for early 2011. And so the VN Index was able to make its close at 485. But its 2% loss in VND, and 10% in US\$, compared poorly with mainstream regional markets which, outside of Greater China, were all up by 20-55% in US\$ terms.

The market's performance might have been worse had it not been for a surprise development, which was the emergence of ETFs. There are two of these vehicles tracking Vietnam. Somewhat subdued in 2009, they doubled in size over the course of 2010 to around US\$600m, and became a major force on the market. But since they had to target big stocks with availability in foreign limits, with no regard for fundamentals or governance, they pumped up many companies which were available precisely because they lacked investment appeal. Names like BVH, VIC and VinPearl rose more than 100% while much worthier blue chips lagged. In fact, rather a lot of the relative stability of the VN Index in 2010 - in VND terms - was owing to gains in those very

counters. So ETFs helped the VN Index but distorted the market.

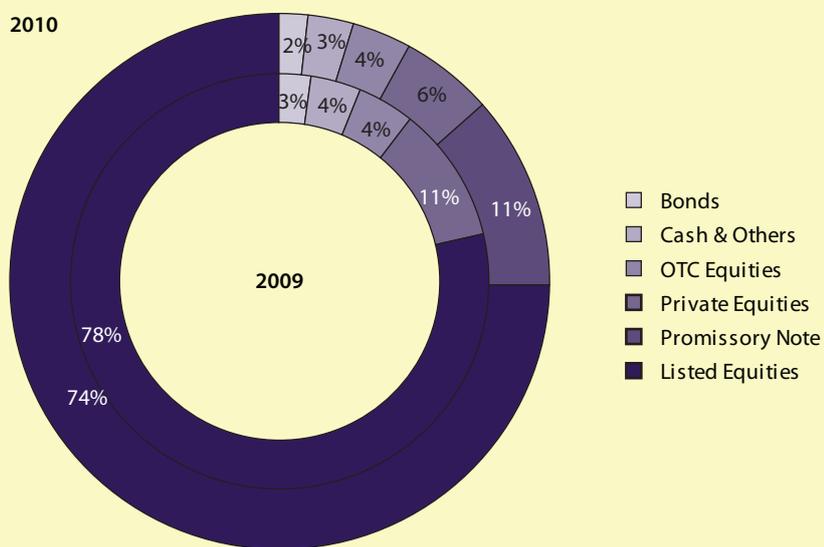
So far this year the VN Index has continued to fluctuate around about where it ended 2010. There was an initial move to 525, but this was impossible to sustain since (a) it was concentrated in a handful of stocks being chased by the ETFs and (b) adverse economics have continued to impose themselves. Inflation of 13-14% year on year in Q1 2011 has been even more elevated than in 2010, rates have been hiked to 20% and gold is not moving any lower. And so the currency has had to be devalued again, this time by a record 7.2% to VND20,899:US\$1.

But for once the hit may have come as part of an over-all package rather than just being another downward adjustment. Since the Vinashin event, the Government has been pushing macro rationalisation with unusual aggressiveness and with unprecedented coordination across the ministries. Its stepped-up prudential regulation of the banking sector has been accompanied by a crackdown on SOE expansion. And to make the devaluation hold, it has followed up with an array of very strict monetary-fiscal measures. If the Government sticks with its new 'get tough' discipline, the market has scope for serious upside in H2. Valuations are very undemanding - the consensus would probably put the 2011 PER at 8.5x, on fully-diluted EPS growth of 15-18%, and 2012 looks even cheaper. Prices would have quite a way to run if macro policy at last shifted to favor of growth with stability.

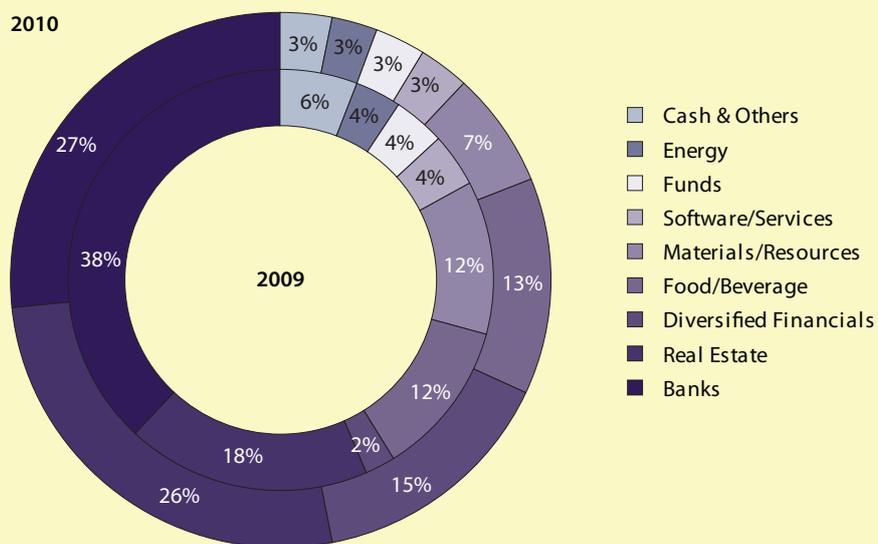
Investment Manager's Report (Continued)

Fund

Asset Allocation by Asset Class

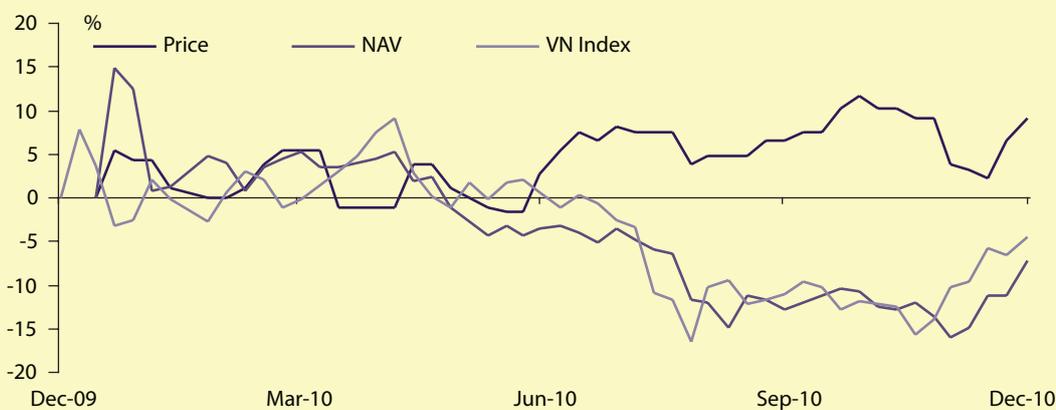


Asset Allocation by Sector



For a full portfolio listing, please see Note 5 to the Consolidated Financial Statements.

Fund Performance



Source: Bloomberg, Dragon Capital

The VN Index traded sideways within 500pts during first seven months of the year despite improving liquidity, compelling valuations and capital flows directed to emerging markets. Concerns over declining FX reserves causing devaluation pressure on the VND and 'Circular 13' issued by the SBV (covering regulations tightening risk management in the banking system which became effective in October 2010) led to a drying up of liquidity and pulled down the VN Index in following months. The VN Index only recovered in last five weeks of the year as foreigners and local investors came back on the assumption that fear of macro instabilities had been overblown and the obvious mismatch of valuations between VN Index and other emerging markets. The VN Index closed the year at 484.6pts, -2.04% or -4.43% in US\$ terms.

ETFs were very active in the second half of 2010 causing odd movements in the VN Index. These funds targeted large

caps regardless of liquidity or valuation. BVH and VIC are vivid examples: the two large caps represent 9.7% and 9.2% of the market and by year-end rose 129% and 84% respectively mainly driven by ETFs accumulation. BVH and VIC are valued at 53x and 19x 2010 earnings while the market valuation is 10x. An exercise to recalculate the VN Index performance excluding BVH and VIC showed that the index would have dropped by -13.18% in US\$ terms.

In 2010, the Investment Manager prioritised a restructuring of VEIL's portfolio by liquidating troublesome private investments. The biggest success was the conversion of its VRICL-Tiberon investment to Masan-Promissory Notes which removed a critical risk and mitigated capital loss. The investments in Masan-Promissory Notes and Masan Group's shares have performed extremely well during the year and contributed significantly to VEIL's performance. Meanwhile, many other

private investments have been liquidated: VEIL's entire stake in VP Bank with a 30.2% premium via a sound deal structure and a partial divestment of Danao via a spin-off of the Da Lat hotel. The restructuring program helped to create a more transparent portfolio, gain back investors' confidence and, as a result, narrow the discount gap of the fund's share price to NAV. At year-end, the discount was down to -17.89% from a peak of -32.06%.

Investment Manager's Report (Continued)

Fund

Attribution Analysis

Diversified financials are 15.20% of VEIL, of which Masan Group and its derivative Masan-Promissory Notes account for 2.62% and 11.60% of NAV respectively. The sector provided a spectacular return of 83.30% and contributed a total 7.88% return to the fund's performance. The investment in Masan-Promissory Notes has accounted for the majority of this performance. Masan Group soared 131.22% and contributed 1.81% return to the fund while the value of Masan-Promissory Notes rose by 91.65% and contributed 6.33% return at year end. The Masan Group's businesses are forecasted to keep generating decent growth and its derivative is expected to perform in line with the index despite the stock's high PER ratio.

Compared to the VN Index Vinamilk is over-weight in VEIL at 12.40% of NAV and was the second best contributor to the fund. The dairy manufacturer is a model company with an extremely solid business, excellent management and sound fundamentals, hence it remains our top stock pick. Vinamilk provided a return of 14.91% and contributed 1.67% to the fund. The company is expected to achieve strong growth in earnings for the foreseeable future and as such will continue to produce significant positive returns to the fund.

The other over-weight area is the allocation to banks where the fund has the largest weighting with 26.75% of NAV compared to the VN Index where banks represent only 7.69%. Whilst our holdings in two commercial banks, ACB and Sacombank, outperformed the sector they suffered like all other banks as a result of 'Circular 13' which became effective in October 2010, and provided

a negative return of -15.86% versus -19.70% respectively, contributing -5.38% to VEIL.

Real estate stocks recorded a weak performance with -7.54% year on year and contributed -2.26% to the fund's performance. Scarce and expensive lending from the banks due to tight monetary policy combined with illiquid capital markets caused huge problems for property developers. Meanwhile, the Government is trying to regulate the property market via 'Decree 69 & 71', which aims to create transaction transparency and prevent future property bubbles. Those policies are considered essential for the sustainable long-term development of the industry but have a negative effect on short-term performance.

VEIL was also over-weight in three other companies that were outperformers, namely Hoang Anh Gia Lai (10.50%), Hoa Phat Group (3.07%) and FPT (2.93%) that produced annual returns of 3.30%, -0.86% and 4.43% respectively. Overall, 15 out of 28 holdings (or 45% of NAV) out-performed the market whilst 3% performed in-line and the balance underperformed.

Sector Return and Contribution

Sector	Portfolio Return (%)	VN Index Return (%)	Portfolio Contribution (%)
Pharmaceuticals	0.62	(16.14)	(0.00)
Consumer Durables	(5.73)	(10.73)	(0.03)
Insurance	(24.40)	105.11	(0.18)
Transportation	(56.37)	(32.47)	(0.40)
Utilities	(21.25)	(30.34)	(0.37)
Energy	(26.93)	(24.10)	(1.00)
Funds	(15.58)	-	(0.58)
Software/Services	9.23	0.77	0.38
Diversified Financials	83.26	13.38	7.88
Materials/Resources	10.70	(9.37)	1.22
Food/Beverage	10.84	1.41	1.27
Real Estate	(7.54)	(6.84)	(2.26)
Banks	(15.86)	(19.70)	(5.38)

Outlook

The Government, through policy implementation, has clearly stated its goal of growth with stability. It intends to focus on tightening fiscal and monetary policies while reining in inflation, stabilizing FX and gold markets, reducing trade and state budget deficits. In line with these policies credit growth will be limited to below 20% from 28% last year and only directed to the manufacturing sectors. The economy will continue to experience a high interest environment and scarce liquidity. It is likely that the stock market will not perform in the short-term, and the real estate and banking sectors are likely to remain underperformers for the foreseeable future. Although painful we support and believe that the Government is on right path by stabilising the macro economy to create sustainable growth for the long-term.

The stock market underperformed in 2010 especially when excluding ETFs darlings like BVH and VIC. This underperformance has made the VN Index very compelling on a valuation basis compared with its regional peers. We believe that the Government will succeed in its goal of macro stabilisation and growth with stability which should bode well for a return to a stronger market. Therefore, we still target a fully weighted investment strategy with core holdings in banks, consumer goods and selective commodities. We will continue to reduce real estate weightings in the portfolio only focusing on developers that have cleared land banks, a strong financial position and attractive valuations. We believe that active stock picking in selective sectors and companies with attractive valuations will deliver upsides in the coming year.

Top Five Holdings

ACB

Market Valuation

US\$76,982,365

% of Net Assets

18.37%



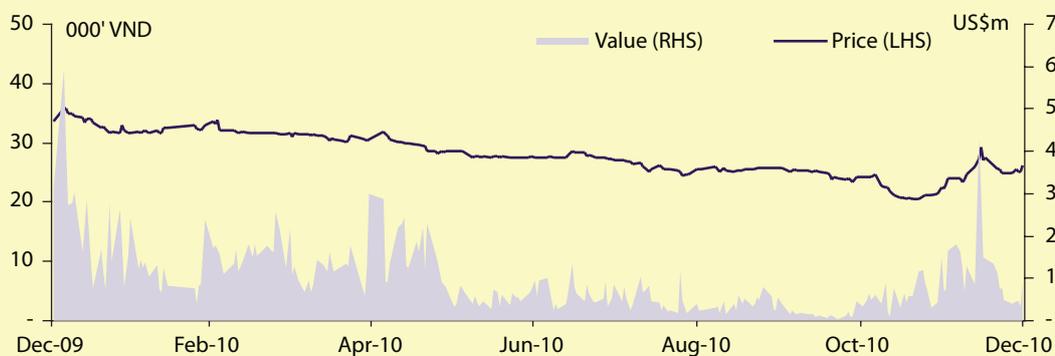
2010 Total Return

-26.92%

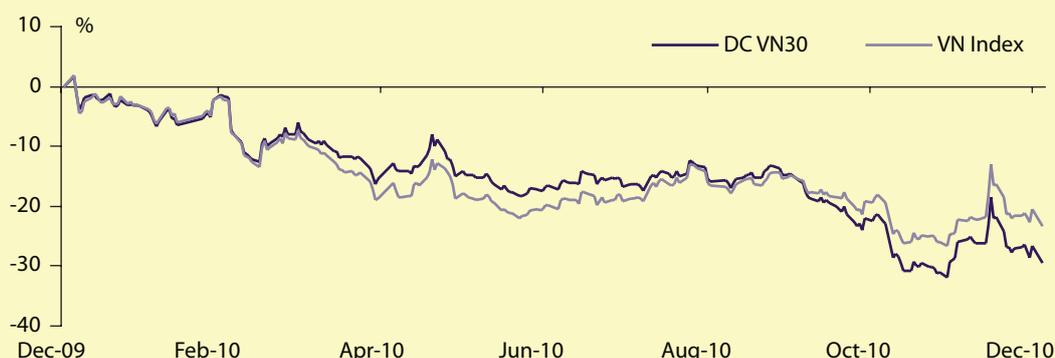
Initial Acquisition Date

1 December 1996

Stock Price



Price Relative



ACB is Vietnam's largest private bank and has maintained its leading position throughout the past five years. The company operates on strong conservative principles with a low loan-to-deposit ratio, stringent credit policy, and strong diversification into non-lending activities. The company was the first bank to set up a formal gold trading exchange to exploit the enormous domestic appetite for gold trading as well as arbitrage opportunities of domestic versus international gold price discrepancy. Profitability since 2006 has been greatly enhanced by these strategic yet opportunistic moves. From 2010 onwards income will revert to traditional sources such as lending and fees as the SBV has imposed various regulations to discourage non-core activities.

ACB reported the lowest growth in years in 2010. This was mainly due to the closure of its gold exchange and margin trading businesses and a shortfall in credit growth by 10% which was the result of a conscious slow-down of asset growth during the first half of 2010. Further contributing to the disappointing performance was a lack of performance from its subsidiaries. Nonetheless, the company successfully expanded its lending activities which somewhat offset the losses caused by various developments simultaneously hitting the company.

The company recorded a growth of 9% in profit before tax ("PBT"), this was 5% higher than the market consensus but 6% lower than our forecast. Profits were driven by interest and fee income owing to a recovery in net interest margin ("NIM") by 24bps, rapid loan growth of 40% versus a sector growth of 30% and robust fee growth of 30%, adjusted for

gold fees. When excluding gold from the year on year comparison the company's core earnings grew a remarkable 83.5%. However, the company's NIM remained well below that of its peers, mainly due to its policy of high liquidity and its low proportion of high-risk assets. As a consequence, the company's NIM was substantially lower (roughly 25%) than that of its peers whilst its non-performing loan provisions were the highest. The improvement in NIM, though small but encouraging, indicates that the company has taken the right measures at last to relax its conservative credit policy stance to improve profitability.

Whilst the company's bank achieved its target of a 25% profit growth, the underperformance of its subsidiaries impeded the company's overall performance. The subsidiaries were expected to contribute 12% to the company's profit which was flat year on year. However, its largest subsidiary, ACB Securities, reported a 96% drop in profit due to a difficult stock market causing the company's profit to come in 14% below expectations.

2011 should be a less challenging year as no extraordinary developments are anticipated. However, the company will need to continue loosening its credit policy which will be key to its growth as competition for lending will be fierce in light of the credit growth cap imposed by the SBV. In general, NIMs might get squeezed but the company is well positioned to grow its NIMs. ACB is also a fund provider in the interbank market and it is expected to benefit from opportunities in this area. Therefore, given the macro-economic and regulatory prospects the company is targeting a 25% profit growth on the

back of a 35% asset increase and, in a worst case scenario of a 20% loan growth, a growth 20% in net profit after tax ("NPAT"). EPS, however, will drop to 11% as a result of dilution.

Top Five Holdings

Vinamilk

Market Valuation

US\$51,944,829

% of Net Assets

12.4%



VINAMILK

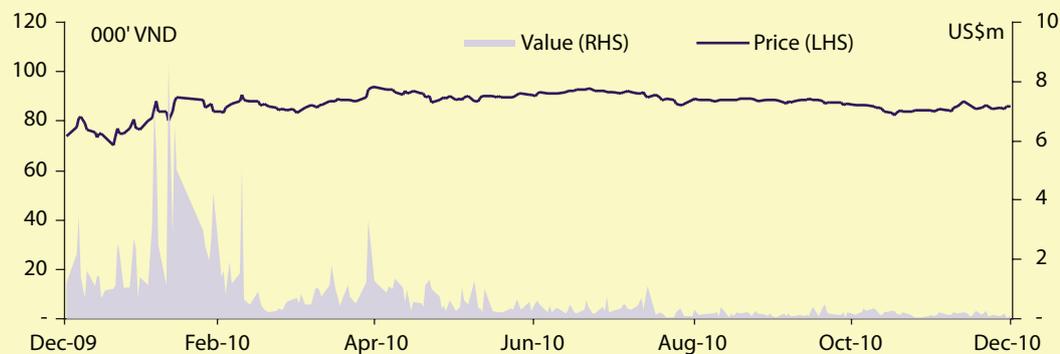
2010 Total Return

14.91%

Initial Acquisition Date

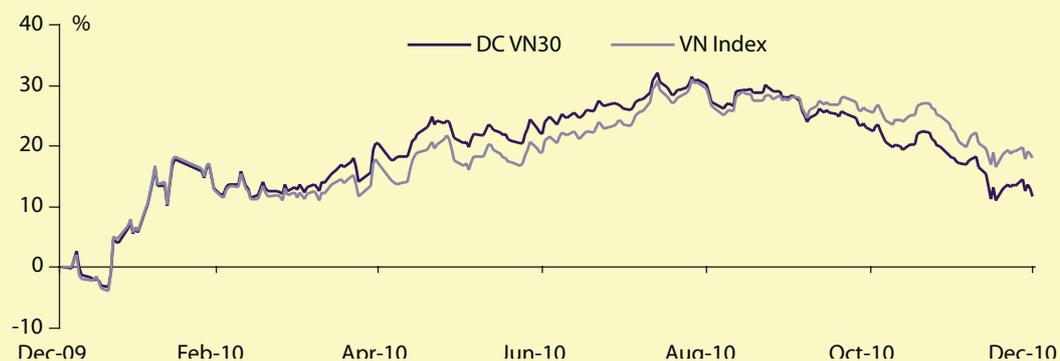
22 October 2003

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Vinamilk is the leading producer of dairy products in Vietnam with a market share of 38%. Their products vary from core dairy products such as liquid and powdered milk, to condensed milk, drinking and spoon yoghurt, ice cream and cheese.

In 2010 the company achieved a very good result with 48.4% growth in revenue and 52.2% growth in earnings. The substantial increase in revenue stemmed from both volume (+35%) and price increases (+9%), owing to a high demand for dairy products and a sales restructuring program that commenced during Q3 2009 and continued well into 2010.

However, increasing raw material prices - especially for sugar and milk powder - caused a deterioration of gross margins from 36.5% in 2009 to 32.8% in 2010. The company successfully mitigated the implications of increasing raw material prices by rigorous cost controls and accelerating sales growth resulting in sales and general administration costs dropping from 14.5% in 2009 to 11.6% in 2010. As a consequence, earnings before interest and taxes improved by 43% compared to 2009.

In Q3 2010, the company booked a profit of around VND350bn from selling its coffee factory to Trung Nguyen, representing the company's final disposal of non-core operations outside of dairy following the earlier sale of its beer factory.

In 2010, Vinamilk invested VND250bn or US\$12.5m in its core business for a 20% stake in a dairy farm, Miraka, on New Zealand's North Island. Miraka is a new company which is setting up a milk

powder processing plant with a capacity of 32,000MT per annum and with operations including marketing to commence in August 2011 which will provide the company with a stable supply of lower-cost milk powder plus dividend income. The company also spent VND1,680bn on the build-up of so called 'mega factories' in a three year programme that will end during 2012 to raise its capacity in powdered milk, liquid milk and yoghurt.

With an increase in its selling price of 12% and continued high demand for dairy products we expect the company's sale growth to increase by 39% in 2011, supported by the company's continued aggressive distribution network expansion which will keep it ahead of the competition. Yoghurt consumption growth is projected at above 40% pa for the next few years and the company is well-positioned to maintain its 80% market share. Besides, the management team also aims to increase market share in milk powder from 50% to 55%, which we think is feasible as the image of local mainstream product keeps on improving at the expense of over-hyped, over-priced premium imports. Liquid milk is slated to move from 43% to 45%, as the company further develops its reputation as the top producer of 'true milk'.

Gross margins in 2011 are expected to be maintained at the same level as 2010 assuming that the company can pass increasing costs on to consumers. However, interest income will be reduced as net cash declines due to the financing of the 'mega factories', implying decreasing extraordinary income which will squeeze net profit and reduce net profit tax growth to 13% year on year.

The company's board recently decided the issuance of 3% new shares, opening the foreign room from 46% to 49%, whilst scrapping the idea of listing a portion of its shares in Singapore. Moreover, the company plans to issue bonus shares of 2:1 and the implementation of an employee share option programme for 1% in 2011.

At the current price of VND88,500, the company looks very attractive with an above-market earnings compound annual growth rate ("CAGR") of 22% for 2010-2012 and a below market PER of 8.6x.

Top Five Holdings

Masan Group

Market Valuation

US\$59,598,277

% of Net Assets

14.22%



Since inception, including Masan Group's Equity and Masan-Promissory Notes

2010 Total Return

97.08%

Initial Acquisition Date

1 April 2010

Weighted average return of Masan Group's Equity and Masan-Promissory Notes

Stock Price



Source: Bloomberg

P/E Ratio



Source: Bloomberg

Company Information

As at 31 December

Share price	VND75,000
Number of shares	515,300,000
Market capital	US\$2,068m
52-week high/low	VND75,000-33,600
Foreign room	28%
Fair value	n/a

Financial Summary

Year-End 31 December	2009	2010F	2011F	2012F
Revenue (VNDbn)	3,958	5,585	8,414	11,399
Revenue growth (%)	105.9	41.1	50.7	35.5
Net income (VNDbn)	417	2,635	1,513	1,859
Net income growth (%)	n/a	532.5	-42.6	22.9
EPS (VND)	2,675	5,392	2,725	3,232
EPS growth (%)	n/a	100.9	-49.5	18.6
P/E ratio (x)	29.4	14.7	29.0	24.4
PEG ratio (x)	n/a	0.1	Neg	1.3
PBV ratio (x)	1.8	4.0	3.7	3.2
Dividend per share (VND)	Nil	Nil	Nil	Nil

Top Five Holdings

Masan Group

Overview

Masan Group is a diversified conglomerate with two historic core businesses. One is Masan Consumer, 77.9% owned, the country's top sauce and noodles manufacturer. The other is Techcombank, 31.0% owned, a leading private-sector commercial bank. In late 2010 the Masan Group entered a new sector, natural resources, with the acquisition from Dragon Capital of the Nui Phao polymetallic mine, currently 64% owned. This is a highly strategic project that will account for half of the world's tungsten supply ex-China when production begins in 2013-2014, and will also be globally significant in bismuth and fluorspar. Going forward, Masan Group aims to build a combination of five inter-related divisions: Consumer, Banking, Financial Services, Resources and another one still being considered. It targets selective acquisitions for this purpose, focused on companies that keep the key discipline of the ones it already owns - to be highly cash-generative with minimum cash investment.

2010 Results

General: In 2010 Masan Group saw net profit soar 448% to VND2,238bn on a revenue gain of just 41% to VND5,585bn. This spectacular result contained a very robust performance by Masan Food and Techcombank, though it owed more to an upward revaluation of the Nui Phao mine, following the purchase of a 20% stake by a new investor. Negative goodwill on Nui Phao in fact contributed VND1,215bn or 44% to pre-tax profit.

Masan Consumer: Sales were +41.1% at VND5,585bn and NPAT +83.7% at VND1,229bn. Masan Group's share of earnings after minorities was VND861bn.

The strong results mainly derived from volume growth in the existing business lines. These are fish and soya sauces, and instant noodles. In the former areas, Masan Group has huge market share, at a respective 74% and 80%, and is by far the leading player. In noodles, it is number two, with a 15% market share, but it practically monopolises the premium end. Thanks to migrating products upmarket, Masan Group was able to sharply improve profitability during 2010, with gross margins rising from 35% to 43%. It also launched innovative new cooking-oils under the Chin-Su brand name, via rice-extracted products that minimise cholesterol.

Techcombank: NPAT increased 24% in 2010 to VND2,055bn. Masan Group's equity-accounted share of Techcombank's earnings, less annual goodwill provisions of VND252bn, was VND159bn. Techcombank is the third-largest joint-stock bank in terms of total assets and second by profitability. It is one of the few banks with a clear strategy for growth, based on developing the retail market and doing so in a highly active partnership with HSBC, which owns 20%. It has pushed asset and loan growth hard, at respective five-year CAGRs of 72% and 57%. During 2010, Techcombank strengthened its balance sheet with US\$150m in subordinated debt. It increased its branch and sub-branch network from 190 offices to 280 and ATMs from 564 to 740. And it suffered a spectacular VND700-1,000bn default on a coffee loan, showing how aggressive expansion occasionally backfires. Following that, Techcombank implemented new credit assessment techniques, especially for SMEs, and throttled loan growth back to +26%. This was slightly behind deposit growth at +28%. Techcombank's

loan-to-deposit ratio is conservative at 65%, and this enables risk to be diversified in the interbank market, where Techcombank is a big player, and in bond investment.

Masan Resources: This subsidiary owns 100% of the Nui Phao mine, as its only asset, and is itself owned 64% by the Masan Group, 16% by Dragon Capital and 20% by Mount Kellett. The latter came in at the very end of 2010, paying US\$100m for its stake and valuing the mine at a substantial premium to Masan Group's own acquisition price. Project development and finance are well underway, and production is now firmly scheduled for 2013. On the strength of these factors Masan Group put through the revaluation of its stake in Masan Resources/Nui Phao, equivalent to US\$58m.

Outlook

In 2011 we think Masan Group will have another strong year. The food division will maintain high growth via combined product innovation and capacity expansion. Sales are projected at +51%, to VND8,414bn, and NPAT at +45.2%, to VND1,719bn. Meanwhile, Techcombank will be in solid shape as it moves on from the coffee-loan episode. Core earnings ought to gain 20% based on loan growth, in both the retail/SME and interbank markets. Also, a sharp decline that the bank suffered in non-interest income last year - which was widespread throughout the sector - will fall out of the numbers. Unfortunately, because there may have been an element of non-recurrent earnings in 2010 results, we are projecting NPAT at only +5% or VND2,175bn. But this may prove conservative.

Collectively, Masan Group's net earnings from its two historic core businesses are pegged to increase a stellar +40% on an organic basis. Of course, if one assumes no further proceeds from the mine, then Masan Group's NPAT would drop almost 35%. But that would be a statistical artifact.

Masan Group plans a listing later this year in Singapore, where the company will raise more expansion funds and showcase itself with global investors. This will give a useful further perspective on valuation.

Top Five Holdings

Hoang Anh Gia Lai

Market Valuation

US\$43,997,187

% of Net Assets

10.5%



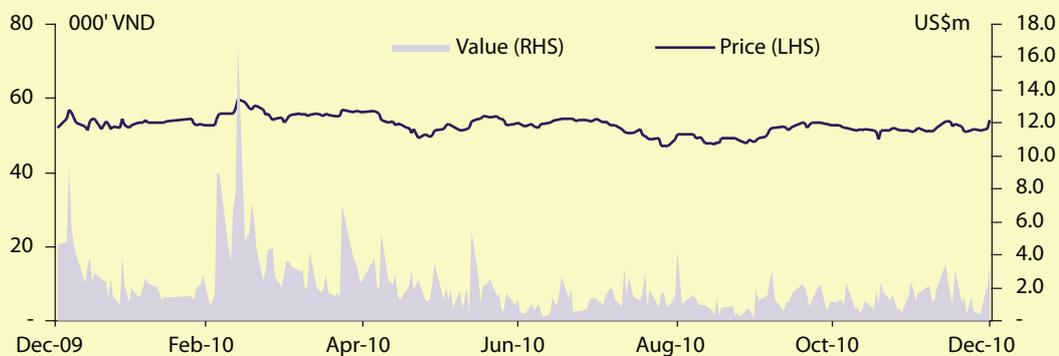
2010 Total Return

3.3%

Initial Acquisition Date

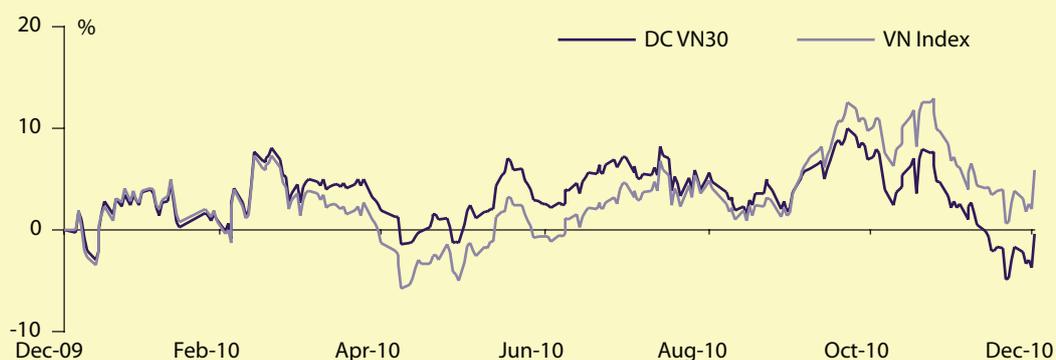
19 June 2009

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Hoang Anh Gia Lai is one of the 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 Ho Chi Minh City, Danang, Gia Lai and Quy Nhon.

The business is now fully integrated and has a potential pipeline of up to 20 projects. The company's main focus is on the middle/upper-income residential market, which it is entering in major cities throughout the country. It is also moving into new areas of business - rubber, power and mining - to further diversify its income stream.

The company performed very well in 2010. Net profit soared by 79% to VND2,131bn. Property development, at 40% of the total, was the key driver of growth. Property income was supported by the successful sale of three medium-end residential projects. Hoang Anh Gia Lai successfully maintained an attractive gross margin of 48% thanks to its excellent control of construction costs allowing it to continue offering attractive prices in an environment of fiscal tightening. The next two largest businesses were construction and furniture production which both grew in double digits and contributed 24% of total profit. Last but not least, electricity had its first contribution to the company's earnings. Although it represents only a small proportion of the total, it recorded a high margin of 70%, signaling that the company's diversification strategy initiated two years ago is on the right track.

The key milestone in 2010 was the corporate restructuring of the company resulting in Hoang Anh Gia Lai becoming the holding company of five subsidiaries that are specialising in property, mining, electricity, rubber and production. The company divested interest in the property subsidiary, Hoang Anh Housing Corporation with a share capital of VND2trn, by reducing its holding to 88.25%, and will hold an IPO for the subsidiary in 2011 before listing on the main bourse. The same strategy is expected to be pursued - in order of sequence - with the other subsidiaries in mining, electricity and rubber.

In 2011, property will continue to be the leading contributor to the bottom line due to projects already being sold. However, to reduce its dependence on the volatile real estate sector the company has devised a diversification program. In electricity, the company will focus on building nine hydropower plants with a total capacity of 310MW in Vietnam and Laos. Four of those should be finished during H1 2011. In mining, the company will focus on the exploration of base metal mines in Vietnam, Laos and Cambodia. It will also start exporting iron ore from mines in Vietnam while stocking up at the same time its inventory from mines in Laos and Cambodia for future export. The company also planted 24,000ha of rubber trees out of a possible 51,000ha (including some land in Laos and Cambodia), and will plant another 13,000ha in 2011. The rubber project will come on stream in 2012. The company expects its new businesses to be about one-fourth of sales and earnings during 2011-2012 and to steadily increase thereafter, reducing the dominance of property to 40%. The remainder will be made up by construction and production

of furniture and granite, as well as interest income from deposits due to substantial cash holdings.

The company is accessing capital markets to carry out all its projects. In 2010 it raised (a) VND1.2trn from the divestment of Hoang Anh Housing Corporation, (b) VND1.1trn from the issuance of a one-year convertible bond to Temasek Holding (Singapore), if exercised in July 2011 Temasek Holding will own 5% of the company's share capital, and (c) VND1.3trn from the Global Receipt Depository listing on the London Stock Exchange. The net DER reached a peak of -0.7x during 2008-2009, and reduced to -0.2x in 2010. In 2011, the company will raise the first international bond of US\$200m with a five year term and list it on the Singapore Stock Exchange. Its aim is to restructure its loan balance to meet long-term capital demand of projects and to overcome the credit tightening situation locally. Export revenue from new projects will be used to settle interest and principal payments.

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

Top Five Holdings

Sacombank

Market Valuation

US\$35,104,719

% of Net Assets

8.38%



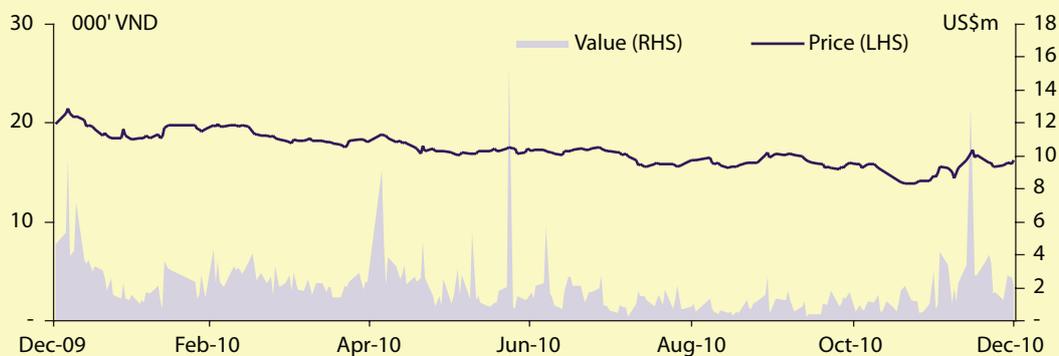
2010 Total Return

-26.51%

Initial Acquisition Date

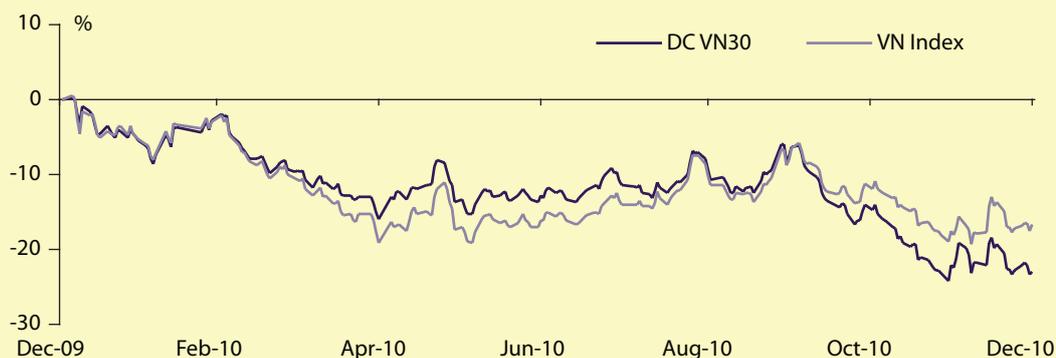
9 November 2000

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Sacombank is the second largest private commercial bank in Vietnam. The company has the widest network coverage among private banks and is expanding regionally by establishing a presence in Laos and Cambodia. The company's strategy is to focus on the SME sector which has been the main driving force of growth in the banking sector and Vietnam's economy. In the years to come, we expect the company will also concentrate on providing a wider variety of banking related services to increase the proportion of fees in its total income and to reduce its dependency on lending, its traditional core business activity.

2010 was to be a difficult year for banks relying on gold related activities to boost profits. The challenge for the company was even more pronounced as it involved not only in arbitrage but also in the speculation of gold which caused losses of some VND300bn, or 12% of PBT. However, strong asset growth with stable NIM and the partial liquidation of its strategic ownership in Sacombank Securities and VietFund Management mitigated the negative impact from its gold activities. In 2011 growth is expected to come from its traditional lending business with a strong focus on the retail sector. This will require a less conservative approach to credit approvals given the present high interest rate environment.

Sacombank reported a growth of 12% in NPAT on the back of a 50% increase in earning assets which was the main driving force of profit growth in 2010. NIM stayed flat at 3.3% as a result of unexploited gold deposits and falling interest spreads on gold loans. Meanwhile, non-interest activities collectively recorded a 23% drop and

cost-to-income ratio increased from 40% to 43.6%. A highlight during 2010 was the successful partial divestment of the company's subsidiaries in securities and domestic fund management where the company divested 25% of its 81% stake in Sacombank Securities to a strategic partner for VND30,000 per share, equivalent to a P/E of 30x and a P/B of 2.5x, whilst its domestic fund management business was divested at an above average market valuation. Both exits achieved healthy premiums and were well timed, especially in the case of its securities subsidiary where the stock has since plummeted.

On the asset side, loans grew 40% versus the sector growth of 30% with the expansion coming predominantly from corporates. The proportion of loans to individuals dropped despite the company's goal to expand this area and support NIM growth. As the lending rate cap was removed consumer loans were the first to get hit by the increasing interest rates escalating interest charges. While the company's loan growth outpaced that of the sector, deposit growth was in line despite having the most extensive network among the private banks. Evidently even the strongest network was not sufficient to overcome unhealthy competition initiated by the smaller banks to attract deposits in an environment of increasing interest rates. Further complicating the business environment was the new banking legislation introduced by the SBV to create a stable financial market in Vietnam.

The company's projection for 2011 of 15% asset growth and 12% profit growth is quite conservative. However, the SBV will continue rigorously controlling credit growth in order to calm inflation in

2011. Besides direct restrictions on credit growth for individual banks, the new banking legislation will also restrict lending to sectors with high demand for loans, explaining why the company is highly cautious about its growth plans. Nonetheless, we are confident that the company will be able exceed its targets.

Governance

Compliance

The Company is committed to 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 semiannually 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, ABN AMRO Fund Services (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 independent of the Company's Manager, including the Chairman, and one non-independent Director appointed by the Investment Manager. The independent Directors have a breadth of investment, business and financial skills and experience relevant to the Company's business and brief biographical details on each Director are set out on page 65. 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 non-independent Director may stand for re-election on an annual basis, too, even though the Articles do not explicitly require re-election. 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, the Board 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 Nomination 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 Valuation and Conflicts Committee for this purpose. 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 15 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 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.

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 64.

Corporate Governance and Socially Responsible Investment

The Company 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.

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

12 July 2010

Ordinary resolutions

- Adoption of financial statements;
- Re-appointment of auditors;
- Re-election of Richard McKegney as 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;
- Re-election of Dominic Scriven as a Director of the Company; and
- Approval to issue up to 10% of the aggregate nominal value of the Redeemable Shares in issue as of 12 July 2010.

Special resolution

- Wind up of the Company effective 31 December 2012

All ordinary resolutions were passed and the special resolution was defeated by the required majority on a poll vote.

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 2010.

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 2010 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 2010 (2009: 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 9 to the consolidated financial statements. The Company had 170,107,498 Redeemable Shares and 1,000 Management Shares outstanding as at 31 December 2010 (31 December 2009: 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
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 12 July 2010 following the expiry of their respective term.

Dominic Scriven also submitted himself for re-election and was duly re-appointed.

Subsequent to the year end, on 3 March 2011, Derek Eu-Tse Loh was appointed as an Independent Non-executive Director.

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 spouses 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 Enterprise Investment Management Limited, the Investment Manager of the Company. As at 31 December 2010, Dragon Capital Markets Limited beneficially held 1,446,000 Redeemable Shares of the Company for investment and proprietary trading purposes (2009: 1,023,919 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 2010 (2009: 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 Enterprise Investment Management Limited. Dominic Scriven is the Director of Enterprise Investment Management Limited during the year. John Shrimpton was a Director of Enterprise Investment Management Limited until 10 March 2010. 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.

Substantial Shareholders

At 31 December 2010, 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
Citivic Nominees Limited

Number of redeemable shares held
131,675,280

% of total redeemable shares in issue
75.75%

Registered shareholder
Clearstream Banking SA (POA Fortis Banque Luxembourg)

Number of Redeemable Shares held
38,370,217

% of total Redeemable Shares in issue
22.07%

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 2010 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.

Report of the Board of Directors (Continued)

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 2010, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year ended 31 December 2010 in accordance with International Financial Reporting Standards.

By Order of the Board

A handwritten signature in black ink, consisting of several overlapping loops and a long, sweeping tail that curves upwards and to the right.

Dominic Scriven O.B.E.
Director
28 April 2011

Independent Auditors' Report



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

Telephone +84 (8) 3821 9266
Fax +84 (8) 3821 9267
Internet www.kpmg.com.vn

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 2010, 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, as set out on pages 34 to 63.

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 and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 at 31 December 2010, 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

KPMG Limited
Ho Chi Minh City, Vietnam
28 April 2011

KPMG Limited, a Vietnamese limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

33

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	2010 US\$	2009 US\$	% Change
Current assets				
Financial assets at fair value through profit or loss	5	409,815,661	431,343,040	
Other receivables		270,735	382,714	
Balances due from brokers	6	18,896	1,001,393	
Cash and cash equivalents	7	14,057,188	3,938,880	
		424,162,480	436,666,027	(2.86)%
Current liabilities				
Accounts payable and accruals	8	755,504	888,817	
Balances due to brokers	6	4,390,856	416,782	
		5,146,360	1,305,599	294.18%
Net assets		419,016,120	435,360,428	(3.75)%
Equity				
Issued capital	9	1,701,085	1,738,240	
Share premium	9	349,446,892	356,666,449	
Retained earnings		67,868,143	76,955,739	
Total equity		419,016,120	435,360,428	(3.75)%
Number of redeemable shares in issue	9	170,107,498	173,823,000	
Net asset value per redeemable share	10	2.46	2.50	(1.60)%

Approved by the Board of Directors on 28 April 2011.



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 2010

	Note	2010 US\$	2009 US\$
Income			
Bank interest income		18,336	170,273
Bond and loan interest income		422,979	1,401,560
Dividends income		14,610,858	7,959,550
Net changes in fair value of financial assets at fair value through profit or loss		45,238,112	74,593,788
Losses on disposals of investments		(59,592,652)	(3,976,085)
Other income		135,000	854,282
Total income		832,633	81,003,368
Expenses			
Administration fees	11	(413,652)	(463,598)
Custodian fees	11	(124,096)	(139,081)
Directors' fees	11	(75,744)	(58,876)
Management fees	11	(8,135,632)	(9,271,956)
Withholding taxes		(69,312)	(91,718)
Legal and professional fee expenses		(283,576)	(101,334)
Other operating expenses		(403,585)	(264,559)
Total expenses		(9,505,597)	(10,391,122)
Net (loss)/profit before exchange losses		(8,672,964)	70,612,246
Exchange losses			
Net foreign exchange losses		(414,632)	(261,637)
(Loss)/profit before tax		(9,087,596)	70,350,609
Income tax	12	-	-
Net (loss)/profit		(9,087,596)	70,350,609
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		(9,087,596)	70,350,609
Net (loss)/profit and comprehensive (loss)/income for the year attributable to Redeemable Shareholders		(9,087,596)	70,350,609
Basic (losses)/earnings per Redeemable Share	13	(0.05)	0.40

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2010

	Issued capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2009	1,738,240	356,666,449	6,605,130	365,009,819
Total comprehensive income for the year:				
Net profit for the year	-	-	70,350,609	70,350,609
Balance at 1 January 2010	1,738,240	356,666,449	76,955,739	435,360,428
Total comprehensive loss for the year:				
Net loss for the year	-	-	(9,087,596)	(9,087,596)
Transactions with shareholders, recognised directly in equity:				
Redeemable Shares buy back	(37,155)	(7,219,557)	-	(7,256,712)
Balance at 31 December 2010	1,701,085	349,446,892	67,868,143	419,016,120

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010

	Note	2010 US\$	2009 US\$
Operating activities			
(Loss)/profit for the year		(9,087,596)	70,350,609
Adjustments for:			
Bank interest income		(18,336)	(170,273)
Bond and loan interest income		(422,979)	(1,401,560)
Dividends income		(14,610,858)	(7,959,550)
Net changes in fair value of financial assets at fair value through profit or loss		(45,238,112)	(74,593,788)
Losses on disposals of investments		59,592,652	3,976,085
		(9,785,229)	(9,798,477)
Change in other receivables and balances due from brokers		1,227,081	(1,157,564)
Change in balances due to brokers and accounts payable and accruals		3,840,761	554,337
		(4,717,387)	(10,401,704)
Proceeds from disposals of investments		150,841,419	97,889,547
Purchases of investments		(143,668,580)	(109,794,402)
Bank interest received		26,988	219,512
Bond and loan interest received		299,358	1,508,532
Dividends received		14,593,222	7,999,710
Net cash generated from/(used in) operating activities		17,375,020	(12,578,805)
Financing activities			
Repurchase of own shares		(7,256,712)	-
Net cash used in financing activities		(7,256,712)	-
Net increase/(decrease) in cash and cash equivalents		10,118,308	(12,578,805)
Cash and cash equivalents at the beginning of the year		3,938,880	16,517,685
Cash and cash equivalents at the end of the year	7	14,057,188	3,938,880

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2010

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 2010 (2009: 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 annual general shareholders' meeting held on 12 July 2010, a special resolution to wind up the Company on 31 December 2012 was put to the meeting but did not pass. 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 2010, 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

2. Basis of Preparation

(a) Statement of compliance

The Group's consolidated financial statements as at and for the year ended 31 December 2010 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 United States 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

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 into 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 into 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.

(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, other receivables and balances due from brokers.

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 recognised exchanges or sourced from reputable brokers/counterparties in the case of non-exchange traded instruments at the reporting date without any deduction for estimated selling costs. Unlisted investment 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 demand and time 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 Company's cash management.

Receivables and balances due from brokers

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 and balances due from brokers 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

3. Summary of Significant Accounting Policies (Continued)

(d) Financial liabilities

The Group's financial liabilities include accounts payable and accruals and balances due to brokers.

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 and balances due to brokers 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, net of any tax effects, is recognised as a deduction from equity. Par value of repurchased shares are presented as deductions from share capital and the excess over par value of repurchased shares are presented as deductions from share premium. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in share capital and share premium similar with issuance of share capital.

(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 fees and incentive fees, are recognised in profit or loss on an accrual basis.

(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 2010 (2009: Nil).

Net Asset Value ("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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

3. Summary of Significant Accounting Policies (Continued)

(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 as at 31 December 2010, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analyzing the likely impact on its consolidated financial statements.

IFRS 9 *Financial Instruments*, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted.

IAS 24 *Related Party Disclosures* (revision effective from 1 January 2011) provides a disclosure exemption in respect of related party relationships that arise through common control by the State, unless indicators of influence exist between the entities. The revised IAS 24 also amends the definition of a related party to exclude situations in which two entities are related because a person has significant influence over an entity and a close family member of that person has significant influence over another entity; and to include other entities in which a significant investor of the reporting entity is a member of key management personnel.

IFRS 7 *Disclosures* (Amendment effective for annual periods beginning on or after 1 July 2011; earlier application is permitted) - Transfers of Financial Assets requires disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements. When applied, it is expected that the amendment to IFRS 7 will increase the current level of disclosure of financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

4. Transactions with Related Parties

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 Enterprise Investment Management Limited, the Investment Manager of the Company. As at 31 December 2010, Dragon Capital Markets Limited beneficially held 1,446,000 Redeemable Shares of the Company for investment and proprietary trading purposes (2009: 1,023,919 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 2010 (2009: 1,026,770 Redeemable Shares).

During the year, the Directors, with the exception of Dominic Scriven and John Shrimpton, earned US\$75,744 (2009: US\$58,876) for their participation on the Board of Directors of the Company.

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.

5. Financial Assets at Fair Value through Profit or Loss

	2010	2009
	US\$	US\$
Listed investments:		
Investments, at cost	199,893,107	193,952,453
Unrealised gains	113,184,805	148,060,486
At fair value	<u>313,077,912</u>	<u>342,012,939</u>
Unlisted investments:		
Investments, at cost	76,571,387	149,277,532
Unrealised gains/(losses)	20,166,362	(59,947,431)
At fair value	<u>96,737,749</u>	<u>89,330,101</u>
Total investments at fair value	<u>409,815,661</u>	<u>431,343,040</u>

As at 31 December 2010, the Group held the following listed and unlisted investments:

<u>Listed investments</u>	Sector	Fair value US\$	% NAV
Overseas listed equities			
Olympus Pacific	Materials/Resources	10,662,811	2.54
Asian Minerals	Materials/Resources	951,768	0.23
		11,614,579	2.77
Vietnam listed equities			
ACB	Banks	76,982,365	18.37
Vinamilk	Food/Beverage	51,944,829	12.40
Hoang Anh Gia Lai	Real Estate	43,997,187	10.50
Sacombank	Banks	35,104,719	8.38
REE	Real Estate	18,275,692	4.36
Hoa Phat Group	Materials/Resources	12,883,698	3.07
FPT	Software/Services	12,277,670	2.93
Masan Group	Diversified Financials	10,978,880	2.62
Sudico	Real Estate	7,405,959	1.77
SacomReal	Real Estate	6,946,866	1.66
PV Drilling	Energy	6,083,187	1.45
VFMVF1	Funds	5,547,748	1.32
Phu My Fertilizer	Materials/Resources	4,245,795	1.01
SSI	Diversified Financials	4,087,000	0.98
Phu Nhuan Jewelry	Consumer Durables	2,111,662	0.50
Song Da Thang Long	Real Estate	1,278,378	0.31
CMG	Technology Hardware	1,122,694	0.27
Hau Giang Pharma	Pharmaceuticals	189,004	0.05
		301,463,333	71.95
Total listed investments at fair value		313,077,912	74.72

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

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

<u>Unlisted investments</u>	Sector	Fair value US\$	% NAV
Vietnam OTC equities			
Sabeco	Food/Beverage	2,255,678	0.54
PV Gas	Energy	5,908,298	1.41
Hoang Anh Housing	Real Estate	7,380,757	1.76
		15,544,733	3.71
Private equities			
Danao	Real Estate	16,536,410	3.95
VFMVF2	Funds	6,757,841	1.61
Global Cybersoft	Software/Services	-	-
		23,294,251	5.56
Unlisted Bonds			
REE 8% 2/8/2011	Real Estate	6,901,151	1.65
Promissory Notes			
Masan-Promissory Notes	Diversified Financials	48,619,397	11.60
Warrants			
FPT Warrant	Software/Services	1,282,839	0.31
Loans			
Danao - Loan 8.5% 3/8/2011	Real Estate	1,095,378	0.26
Total unlisted investments at fair value		96,737,749	23.09

At 31 December 2009, the Group indirectly held investment in 32.01% equity interest in Tiberon Minerals Pte. Ltd (VRICL-Tiberon) which owned 70% equity interest in Nui Phao Mining Company Ltd ("Nui Phao"). Nui Phao is engaged in the exploration and extraction of tungsten mine in Vietnam and as of 31 December 2009, Nui Phao was still in the exploration phase. On 23 September 2010, the Group exchanged its entire indirect interest in Nui Phao with 47.54% of the Promissory Notes ("PNs") issued by Masan Horizon Corporation ("MHC"), a wholly owned subsidiary of Masan Group. As of 31 December 2010, Masan Group indirectly owns 80% equity interest in Nui Phao.

The total PNs issued by MHC comprise of four exchangeable promissory notes with face value of US\$25,000,000 each. The key terms of the promissory notes are as follows:

- a) The holders of PNs have the right to exchange the PNs into 28,825,005 shares of Masan Group on 23 September 2013, 23 September 2014 and 23 September 2015. The conversion of PNs is subject to a minimum of one exchangeable promissory note for each request of conversion and no more than one request for conversion may be made in any given calendar year.
- b) If the holders of PNs do not exercise their right to convert, they will be entitled to the following payments from MHC:
 1. VND230,422,500,000 on 23 September 2016; and
 2. VND2,534,647,500,000 on 23 September 2017

On the date of exchange, the fair value of investment in VRICL-Tiberon was US\$23,804,432 and the fair value of 47.54% of PNs received was US\$25,672,742 resulting in gain recognised in the profit or loss amounting to US\$1,868,310.

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:	Issuer:	Held by:
ACB	Dragon Financial Holdings Limited	PV Gas	Wareham Group Limited
CMG	Grinling International Limited	REE	Venner Group Limited
	Wareham Group Limited		VEIL Holdings Limited
Hau Giang Pharma	Wareham Group Limited		Wareham Group Limited
Phu My Fertilizer	Venner Group Limited	Sabeco	Grinling International Limited
	Grinling International Limited	SacomReal	Venner Group Limited
	Wareham Group Limited		Wareham Group Limited
FPT	Wareham Group Limited	Sudico	Wareham Group Limited
Hoa Phat Group	Grinling International Limited	SSI	Venner Group Limited
	Wareham Group Limited		Wareham Group Limited
Hoang Anh Gia Lai	Grinling International Limited	Sacombank	Dragon Financial Holdings Limited
	VEIL Holdings Limited	Song Da Thang Long	Wareham Group Limited
	Wareham Group Limited		Grinling International Limited
Hoang Anh Housing	Grinling International Limited	VFMVF1	Wareham Group Limited
	Wareham Group Limited	VFMVF2	Grinling International Limited
Phu Nhuan Jewelry	Venner Group Limited	Vinamilk	Grinling International Limited
	Wareham Group Limited		
PV Drilling	Venner Group Limited		
	Grinling International Limited		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

6. Balances Due from/to Brokers

	2010	2009
	US\$	US\$
Sales transactions awaiting settlement	18,896	1,001,393
Purchase transactions awaiting settlement	4,390,856	416,782

In accordance with the Company's policy of trade date accounting for regular way sales and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased, but not yet settled as at the reporting date.

7. Cash and Cash Equivalents

	2010	2009
	US\$	US\$
Cash on demand	13,057,188	2,685,858
Time deposits	-	1,253,022
Cash in transit	1,000,000	-
	<u>14,057,188</u>	<u>3,938,880</u>

There were no time deposits included in cash and cash equivalents as at 31 December 2010 (2009: US\$1,253,022 at 10.46% per annum).

8. Accounts Payables and Accruals

	2010	2009
	US\$	US\$
Management fees	649,878	788,170
Directors' fees	20,375	16,250
Administration fees	32,494	39,409
Custodian fees	9,749	11,823
Other payables	43,008	33,165
	<u>755,504</u>	<u>888,817</u>

9. Issued Capital

	2010 US\$	2009 US\$
<u>Authorised:</u>		
500,000,000 Redeemable Shares at par value of US\$0.01 each ("Redeemable Shares")	5,000,000	5,000,000
300,000,000 conversion shares at par value of US\$0.01 each ("C shares")	3,000,000	3,000,000
1,000 Management Shares at par value of US\$0.01 each ("Management Shares")	10	10
	<u>8,000,010</u>	<u>8,000,010</u>
<u>Issued and fully paid:</u>		
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>
Treasury shares	(37,155)	-
<u>Outstanding issued share capital in circulation</u>	<u>1,701,085</u>	<u>1,738,240</u>

Holders of Redeemable Shares present in person or by proxy or by authorised representative shall have one vote and, on a poll, every holder of Redeemable Shares 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 ("the Articles"). 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 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 holder of Redeemable Shares has the right to require the redemption of any of his Redeemable Shares at his option.

The C shares carry the exclusive right to dividends in respect of assets attributable to the C 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 Article. 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 C Shares to participate in the winding up of the Company, the C 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

9. Issued Capital (Continued)

Until Conversion, the consent of the holders of the C 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.

During the year, no C Shares were in issue, and no C Shares are in issue at present.

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.

Following the Company's announcement on 11 June 2010 regarding repurchase of shares, the Company purchased through Rickmansworth Limited, a wholly owned subsidiary of the Company, 3,715,502 Redeemable Shares issued and outstanding of the Company at an average price of US\$1.953 from 11 June 2010 to 31 December 2010. Shares repurchased will, for as long as they are held by Rickmansworth Limited, be held for the benefit of the Company.

Movements in Redeemable Share capital during the year were as follows:

	2010	2009
	US\$	US\$
Balance at the beginning of the year	1,738,230	1,738,230
Redeemable Shares repurchased during the year	(37,155)	-
Balance at the end of the year	1,701,075	1,738,230

Movements in share premium during the year were as follows:

	2010	2009
	US\$	US\$
Balance at the beginning of the year	356,666,449	356,666,449
Share premium from Redeemable Shares repurchased during the year	(7,219,557)	-
Balance at the end of the year	349,446,892	356,666,449

10. 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 2010 of US\$419,016,120 (2009: US\$435,360,428) and the number of Redeemable Shares in issue as at that date of 170,107,498 shares (2009: 173,823,000 shares).

11. Fees

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

Management fees

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 fees amounted to US\$8,135,632 (2009: US\$9,271,956). As at 31 December 2010, a management fee of US\$649,878 (2009: US\$788,170) remained payable to the Investment Manager.

Incentive fees

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 ("R"), provided that R is a positive figure and that the value of S in the calculation exceeds the highest value of S by reference to the incentive fee paid in any previous year:

$$R = S - U,$$

where:

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

S is the NAV of the Redeemable Shares on the last Valuation Day in that Accounting Period (adjusted upward by any accruals of incentive fees payable that are reflected in the NAV) plus the net assets value of all distribution made in respect of such shares in all prior years (by way of dividend, or return of capital or otherwise);

U is an amount equal to the sum of:

- a) the NAV of the Redeemable Shares as at the end of the Accounting Period in respect of which the most recent incentive fee was actually paid compounded at the rate of 8% per annum with effect from the Valuation Day by reference to which that incentive fee was calculated; and
- b) either (i) the NAV of the C Shares as at the end of the Accounting Period in respect of which the most recent incentive fee was actually paid, compounded at the rate of 8% per annum with effect from the Valuation Day by reference to which that incentive fee was calculated; or (ii) if no incentive fee has previously been due and payable in respect of the C Shares, an amount equal to any amounts of capital raised by the issue of C Shares, exclusive of placing fees, compounded at the rate of 8% per annum with effect from the date of issue of those C Shares until the last Valuation Day in that Accounting Period; and
- c) any amount of capital raised by the issue of new Redeemable Shares during the period since the Valuation Day referred to at (a) above, exclusive of placing fees, compounded at the rate of 8% per annum with effect from the date of issue of those 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 2010, the NAV per Redeemable Share of the Group needed to exceed US\$6.87 (2009: US\$6.33). As at 31 December 2010, the NAV per Redeemable Share of the Group was US\$2.46 (2009: US\$2.50).

No incentive fee was incurred during the year ended 31 December 2010 (2009: Nil) as the conditions were not met.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

11. 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\$75,744 (2009: US\$58,876). Directors' fees of US\$20,375 were payable as at 31 December 2010 (2009: US\$16,250). Dominic Scriven and John Shrimpton have permanently waived their rights to receive Directors' fees for their services as Directors of the Group.

Administration fees

ABN AMRO Fund Services (Cayman) 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 fees amounted to US\$413,652 (2009: US\$463,598). As at 31 December 2010, an administration fee of US\$32,494 (2009: US\$39,409) was payable to the Administrator.

Custodian fees

ABN AMRO 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 fees amounted to US\$124,096 (2009: US\$139,081). A total custodian fee of US\$9,749 was payable to the custodian as at 31 December 2010 (2009: US\$11,823).

12. Income Tax

Under the current law of the Cayman Islands and the British Virgin Islands, the Company, its subsidiaries and jointly controlled entity are not required to pay any taxes in the Cayman Islands and the British Virgin 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.

13. Basic (Losses)/Earnings per Redeemable Share

The calculation of basic loss per Redeemable Share for the year is based on the net loss for the year attributable to the Redeemable Shares of US\$9,087,596 (2009: profit of US\$70,350,609) and the weighted average of 171,921,972 Redeemable Shares (2009: 173,823,000 Redeemable Shares) in issue during the year.

a) Net (Loss)/profit attributable to Redeemable Shareholders

	2010	2009
	US\$	US\$
(Loss)/profit for the year	(9,087,596)	70,350,609
<u>Net (loss)/profit attributable to Redeemable Shareholders</u>	<u>(9,087,596)</u>	<u>70,350,609</u>

b) Weighted average number of Redeemable Shares

	2010	2009
	US\$	US\$
Issued Redeemable Shares at the beginning of the year	173,823,000	173,823,000
Effect of Redeemable Shares repurchased during the year	(1,901,028)	-
<u>Weighted average number of Redeemable Shares</u>	<u>171,921,972</u>	<u>173,823,000</u>

c) Basic (losses)/earnings per Redeemable Share

	2010	2009
	US\$	US\$
<u>Basic (losses)/earnings per Redeemable Share</u>	<u>(0.05)</u>	<u>0.40</u>

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

14. Jointly Controlled Entity

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

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

	2010 US\$	2009 US\$
Consolidated statement of financial position		
Financial assets at fair value through profit or loss	112,087,084	165,658,665
Consolidated statement of comprehensive income		
Net changes in fair value of financial assets at fair value through profit or loss	62,497,463	110,641,295

15. Financial Risk Management

The Group invested in listed and unlisted investments in Vietnam, Cayman Islands, Canada and may invest elsewhere 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 2010 and 2009, the Group's credit risk arose principally from its other receivables, promissory notes, investments in corporate bonds, balances due from brokers and cash and cash equivalents. The maximum exposure to credit risk faced by the Group is equal to the carrying amounts of these balances as shown on the consolidated 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 2010 and 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.

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
	2010	2010	2009	2009
	%	US\$m	%	US\$m
Market indices				
VN Index	50	136.35	50	118.48
VN Index	(50)	(136.35)	(50)	(118.48)
Hanoi Index	50	41.93	50	48.24
Hanoi Index	(50)	(41.93)	(50)	(48.24)

Valuation of the Group's unlisted investments is made using established valuation methodologies. The methodologies of valuation of these investments take 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

15. Financial Risk Management (Continued)

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.

31 December 2010	Up to 1 year US\$	1 - 5 years US\$	Non-interest bearing US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss	7,996,529	-	49,902,236	57,898,765
Other receivables	-	-	270,735	270,735
Balances due from brokers	-	-	18,896	18,896
Cash and cash equivalents	14,057,188	-	-	14,057,188
Total assets	22,053,717	-	50,191,867	72,245,584
Liabilities				
Accounts payable and accruals	-	-	(755,504)	(755,504)
Balances due to brokers	-	-	(4,390,856)	(4,390,856)
Total liabilities	-	-	(5,146,360)	(5,146,360)
Net interest sensitivity gap	22,053,717	-	45,045,507	67,099,224

At 31 December 2010, had interest rates lowered by 100 basis points with all other variables remaining constant, the decrease in net assets attributable to the holders of Redeemable Shares for the year would have amounted to approximately US\$79,965. If interest rates had risen by 100 basis points, the increase in net assets attributable to the holders of Redeemable Shares would have amounted to approximately US\$220,537.

31 December 2009	Up to 1 year US\$	1 - 5 years US\$	Non-interest bearing US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss	8,323,194	14,465,430	617,712	23,406,336
Other receivables	-	-	382,714	382,714
Balances due from brokers	-	-	1,001,393	1,001,393
Cash and cash equivalents	3,938,880	-	-	3,938,880
Total assets	12,262,074	14,465,430	2,001,819	28,729,323
Liabilities				
Accounts payable and accruals	-	-	(888,817)	(888,817)
Balances due to brokers	-	-	(416,782)	(416,782)
Total liabilities	-	-	(1,305,599)	(1,305,599)
Net interest sensitivity gap	12,262,074	14,465,430	696,220	27,423,724

At 31 December 2009, had interest rates lowered by 100 basis points with all other variables remaining constant, the decrease in net assets attributable to the holders of Redeemable Shares for the year would have amounted to approximately US\$240,416. If interest rates had risen by 100 basis points, the increase in net assets attributable to the holders of Redeemable Shares would have amounted to approximately US\$267,275.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

15. Financial Risk Management (Continued)

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"), Canadian Dollar ("CA\$") and Hong Kong Dollar ("HK\$").

The table below summarises the Group's exposure to various currencies. All amounts are stated in US\$.

31 December 2010	CA\$	HK\$	VND
Assets			
Financial assets at fair value through profit or loss	11,614,579	-	331,949,897
Other receivables	-	-	18,718
Balances due from brokers	-	-	18,896
Cash and cash equivalents	-	-	11,776,291
Total assets	11,614,579	-	343,763,802
Liabilities			
	-	-	4,390,856
Total assets less liabilities	11,614,579	-	339,372,946
31 December 2009			
Assets			
Financial assets at fair value through profit or loss	6,583,122	1,986,629	373,516,892
Balances due from brokers	-	-	1,001,393
Cash and cash equivalents	-	-	3,709,339
Total assets	6,583,122	1,986,629	378,227,624
Liabilities			
	-	-	416,782
Total assets less liabilities	6,583,122	1,986,629	377,810,842

At 31 December 2010, if the US\$ had strengthened or weakened by 10% (2009: 5%) against the 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 2009.

	CA\$	HK\$	VND
2010	1,161,458	-	33,937,295
2009	367,301	99,331	18,890,542

(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, balances due from/to brokers, other receivables and accounts payable and accruals

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 2010	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Financial assets at fair value through profit or loss	313,077,912	15,544,733	81,193,016	409,815,661
31 December 2009				
Financial assets at fair value through profit or loss	342,012,939	27,610,385	61,719,716	431,343,040

There were no transfers of equity investments held at 31 December 2010 and 2009 from one level to another.

The following table presents the movements in Level 3 instruments for the year ended 31 December 2010 and 2009:

	2010	2009
	US\$	US\$
Opening balance	61,719,716	103,392,803
Sales	(41,368,603)	(13,686,723)
Purchases	32,927,520	17,470,059
Gains/(losses) recognised in profit and loss	27,914,383	(45,456,423)
Closing balance	81,193,016	61,719,716
Total gains/(losses) for the year included in net changes in fair value of financial assets at fair value through profit or loss	27,914,383	(45,456,423)

(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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2010

16. Contingencies

Under the current law of the Cayman Islands and the British Virgin Islands, the Company, its subsidiaries and jointly controlled entity are not required to pay any taxes in the Cayman Islands and the British Virgin 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.

17. Corresponding Figures

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

Consolidated statement of financial position	2009 US\$ (As reclassified)	2009 US\$ (As previously stated)
Other receivables	382,714	-
Balances due from brokers	1,001,393	-
Receivables	-	1,384,107
Accounts payable and accruals	888,817	-
Balances due to brokers	416,782	-
Accounts payable and accruals	-	1,305,599

18. Subsequent Events

As of the date of this report, the aggregate fair value of the Group's financial assets at fair value through profit and loss has fallen by US\$59,511,865 to US\$269,110,780 from the aggregate fair value as of 31 December 2010 due to a general decline in listed/unlisted bond prices and listed share prices in Vietnam. The management believes that the fall is temporary and consequently no adjustment has been made in the consolidated financial statements as at 31 December 2010. The details are as follows:

	Fair value		Movement US\$
	31 December 2010 US\$	28 April 2011 US\$	
Financial assets at fair value through profit or loss			
Oversea listed equities	11,614,579	9,461,698	(2,152,881)
Vietnam listed equities	301,463,333	244,496,977	(56,966,356)
OTC equities	15,544,733	15,152,105	(392,628)
	<u>328,622,645</u>	<u>269,110,780</u>	<u>(59,511,865)</u>

At 31 December 2010, the Group had monetary assets in VND amounting to equivalent US\$343,763,802 and monetary liabilities in foreign currencies amounting to equivalent US\$4,390,856 resulting in a net exposed asset position of equivalent US\$339,372,946. As of 28 April 2011, the exchange rate of VND against US\$ has been depreciated by 5.2% from VND19,500/US\$1 as of 31 December 2010 to VND20,520/US\$1. A net exposed asset position in VND combined with the significant depreciation in VND could adversely affect the Group's results of operations.

On 3 March 2011, Derek Eu-Tse Loh was appointed as an Independent Non-executive Director of the Company.

Subsequent to the financial year-end, the Company purchased through Rickmansworth Limited, a wholly owned subsidiary of the Company, 403,748 Redeemable Shares issued and outstanding of the Company at an average price of US\$1.9 per Redeemable Share. Shares repurchased will, for as long as they are held by Rickmansworth Limited, be held for the benefit of the Company.

19. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 April 2011.

Administration

The Company

Vietnam Enterprise Investments Limited
Grand Pavilion Commercial Centre, PO Box 2003
802 West Bay Road
Grand Cayman, KY1-1104 Cayman Islands
British West Indies

Administrator, Registrar and Secretary
ABN AMRO Fund Services (Cayman) Limited*
Grand Pavilion Commercial Centre, PO Box 2003
802 West Bay Road
Grand Cayman, KY1-1104 Cayman Islands
British West Indies

* The Administrator has changed its name from ABN AMRO Fund Services (Cayman) Limited to Credit Suisse Administration Services (Cayman) Limited with effect from 1 May 2011.

Custodian

ABN AMRO Bank (Ireland) Limited***
Fortis House
Park Lane
Spencer Dock
Dublin 1, Ireland

*** The Custodian changed its name from ABN AMRO Bank (Ireland) Limited to Credit Suisse International, Dublin Branch with effect from 1 May 2011.

Legal Adviser to the Company

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

Enquiries

Dragon Capital Markets Limited
Tel: +84 8 3823 9355
Fax: +84 8 3823 9366
Email: dealing@dragoncapital.com

Paying Agent

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

Investment Manager

Enterprise Investment Management Limited
c/o 1901 Me Linh Point
2 Ngo Duc Ke, District 1
Ho Chi Minh City, Vietnam
Tel: + 84 8 3823 9355 Fax: + 84 8 3823 9366

Sub-Administrator and Assistant Secretary

ABN AMRO Fund Services (Asia) Limited**
28/F Fortis Tower
77-79 Gloucester Road
Hong Kong

** The Sub-administrator changed its name from ABN AMRO Fund Services (Asia) Limited to Credit Suisse (Hong Kong) Limited with effect from 1 May 2011.

Sub-Custodian

HSBC Bank (Vietnam) Ltd
The Metropolitan
235 Dong Khoi, District 1
Ho Chi Minh City, Vietnam

Legal Adviser to the Company

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

Auditors

KPMG Limited
10/F Sun Wah Tower
115 Nguyen Hue, District 1
Ho Chi Minh City, Vietnam

Listing Sponsor

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

Board of Directors

Richard McKegney
(Born 1945, Appointed to the Board 1995)
Chairman and Independent Non-Executive Director

Richard McKegney is a graduate of the University of Puget Sound in Washington State and the American Graduate School in Arizona. Mr. McKegney 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. McKegney 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 from the University of Frankfurt. He also studied at the Université de Poitiers, France where he received a 'Diplôme d'Etudes Francaises'. He also studied at Harvard Business School and Stanford University. Mr. Bertelsmeier worked for several financial institutions and joined IFC in 1990, working primarily in Africa, Southeast Asia and Latin America. In 1997 he was appointed the first IFC Resident Representative in Vietnam. From 2004 until his retirement from IFC in 2009 he was Special Representative Europe. He sits on the boards of several companies in Africa and Europe. 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-US 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.

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
Consumer Durables	
Phu Nhuan Jewelry Joint Stock Company	Phu Nhuan Jewelry
Diversified Financials	
Masan Group Corporation	Masan Group
Masan Horizon Corporation Promissory Notes	Masan-Promissory Notes
Saigon Securities Incorporation	SSI
Energy	
PetroVietnam Drilling and Well Services Joint Stock Company	PV Drilling
PetroVietnam Gas Corporation	PV Gas
Food/Beverage	
Saigon Beer Alcohol and Beverage Company	Sabeco
Vietnam Dairy Products Joint Stock Company	Vinamilk
Funds	
Vietnam Securities Investment Fund - VF1	VFMVF1
Vietnam Securities Investment Fund - VF2	VFMVF2

Full Name by Sector	Short Name
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 and Chemicals Corporation	Phu My Fertilizer
Pharmaceuticals	
DHG Pharmaceutical Joint Stock Company	Hau Giang Pharma
Real Estate	
Danao International Holdings Limited	Danao
Danao Limited - Loan 8.5% 3/8/2011	Danao Loan 8.5% 3/8/2011
Hoang Anh Gia Lai Joint Stock Company	Hoang Anh Gia Lai
Hoang Anh Construction and Development House Joint Stock Company	Hoang Anh Housing
Refrigeration Electrical Engineering Corporation	REE
Refrigeration Electrical Engineering Corp Bond 8% 2/8/2011	REE 8% 2/8/2011
Saigon Thuong Tin Real Estate Joint Stock Company	SacomReal
Song Da-Thang Long Joint Stock Company	Song Da Thang Long
Song Da Urban & Industrial Zone Investment and Development Joint Stock Company	Sudico
Software/Services	
FPT Corporation	FPT
FPT Corporation Warrant 9/10/2012	FPT Warrant
Global Cybersoft, Inc.	Global Cybersoft
Technology Hardware	
CMC Corporation	CMG

Dragon Capital - 16 Years in Vietnam



Formed in 1994 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 stock market 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, at the end of December 2010 Dragon Capital managed US\$1.2bn with a headcount in excess of 100. We have offices in Ho Chi Minh City, Hanoi (regulated by Vietnam's SSC), in the United Kingdom (regulated by the FSA), in Hong Kong (regulated by Hong Kong's SFC) and in Bangkok, Thailand. Foreign and Vietnamese professionals cover all significant markets and sectors (public and private equity, fixed income, resources, property and clean development); and all required skill sets (client service, economics, investment modeling, origination, legal, mid-office, valuation and governance). The Company is owned by present and

former management and staff, with the World Bank's International Finance Corporation (IFC) and the French Government's development finance entity, Proparco also having shareholdings.

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 license, 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.



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.

www.dragoncapital.com



Dragon Capital

HCMC
1901 Me Linh Point
2 Ngo Duc Ke
District 1, Ho Chi Minh City
Tel: +84 8 3823 9355
Fax: +84 8 3823 9366

Hanoi
11th Floor, Hanoi Lake View Building
28 Thanh Nien
Tay Ho District, Hanoi
Tel: +84 4 3936 0203
Fax: +84 4 3936 0204

Bath, UK
The Tramshed, Beehive Yard, Walcot Street
Bath, BA1 5BB
United Kingdom
Tel: +44 1225 731 402
Fax: +44 2071 499 969

Bangkok
23rd Floor, 399 Interchange Building
Sukhumvit Road, Klongtoey-Nua, Wattana
Bangkok, 10110
Thailand
Tel: +66 2 611 2600
Fax: +66 2 611 2603

Hong Kong
20th Floor, Central Tower
28 Queen's Road, Central
Hong Kong
Tel: +852 2159 9674
Fax: +852 2159 9688