DRAGON CAPITAL

VIETNAM ENTERPRISE INVESTMENTS LIMITED

Annual Report 2013

20 Years of Growing with Vietnam

CONTENTS

This information is solely addressed to persons outside Vietnam.

CHAIRMAN'S STATEMENT

Dear Shareholders

The austerity programme, which started a few years ago and helped stabilise the economy, was moderately eased during 2013. The Government continued restructuring State Owned Enterprises ("SOEs") and the banking sector and generally handled monetary and fiscal policies well. As a result, Vietnam achieved most of its key macro-economic targets for 2013, notably export growth, balance of payments, currency and inflation. Spurred by this positive backdrop, the Vietnam Index ("VN Index") built momentum in late 2012 breaking the 500 level in early April 2013, before moving sideways and ending the year with a 25.5% return (total return in United States Dollar ("US$") terms). Vietnam Enterprise Investments Limited ("VEIL" or the "Fund" or the "Company") did even better; delivering a return of 29.0%, driven by exceptional performances from three key holdings, namely Vinamilk (24.1% of net asset value ("NAV"), 56.5% return), REE (8.6% of NAV, 89.0% return) and Hoa Phat Group (8.0% of NAV, 99.8% return).

The year of the snake marked three years since the Fund's mandate was fine-tuned in 2010; to match or exceed the VN Index (total return in US$ terms) on a rolling 3-year basis. During this period, VEIL delivered a return of 25.8% compared to the 9.2% of the VN Index, outperforming the index by 16.6%. The Fund's share price rose by 22.3%, helping contain the discount to NAV below 20%. Enterprise Investment Management Limited (the "Investment Manager") succeeded in resolving a number legacy issues which included, among others, 1) divestment from all private equity holdings except for a residual holding in the private fund, VFMVF2, which is being liquidated, 2) conversion of Masan promissory notes into Masan Group shares, giving VEIL flexibility to manage the weighting of this holding, and 3) the reduction of VEIL's largest holding Vinamilk, down to 24.1%, following exceptional performance over the last few years which had heightened concentration risk. VEIL is now a pure public equity fund, allowing greater flexibility in managing the Fund according to its objectives.

The Government learnt from the previous boom and bust cycles and has, as a result, shifted its goal to growth with stability. This proved to be a positive decision. Disbursed foreign direct investment ("FDI") remained robust and grew 10% year-on-year ("y/y") to US$11.5 billion, fuelling export growth from the FDI sector to 22.4%. Foreign indirect investment continued flowing into the country via exchange traded funds ("ETFs"), open-ended funds, closed-end funds and M&A activities. HSBC's PMI reached a record high of 51.8 in December 2013, implying a bottoming out of the economy. The 2013/2014 Global Competitiveness Index showed Vietnam to have gained ground, placing it 70th out of 148 countries, reflecting its emergence as an attractive venue for investment compared to its key rivals China and some of the ASEAN countries, which are struggling with economic difficulties and instability.

There remain some concerns however. The Vietnam Asset Management Company ("VAMC") was introduced in mid-2013 as a "bad bank" and bought, until year end, bad debts to the tune of US$1.9 billion. This is a small amount compared to the burden of low quality debt that needs to be addressed. Nonetheless, it is a reasonable start and the hope is that VAMC, together with the on-going restructuring of banking sector, will eventually solve Vietnam's non-performing loans ("NPLs"). We therefore expect the banking sector to gradually recover and return to growth in early 2015.

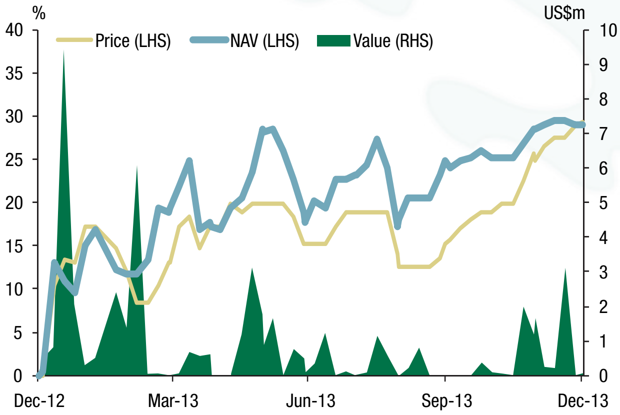
Even though Vietnam's stock market has enjoyed two consecutive years of good performance, all signs are that 2014 will also be a positive year. The Trans Pacific Partnership ("TPP"), if adopted soon, will be a substantial catalyst for the economy and stock market. Vietnam is considered one of countries that will benefit most from this trade agreement. Equally important, it is expected that the decree on lifting foreign ownership limits ("FOL") will be finalised soon and, as and when the law is implemented, it will undoubtedly lure further portfolio investments. The Investment Manager is positive on the development of the economy and the stock market and will keep the Fund fully invested. The proceeds from reducing its stake in Vinamilk and divesting other holdings will be spent topping up a number of attractive existing holdings and to invest in some potential pre-listing opportunities, including IPO and SOE privatisations.

I am delighted to conclude that 2013 was a very good year for the Fund, and that we have essentially completed the restructuring plan started three years ago. The Fund can now operate with greater freedom and we hope this will help us continue to deliver excellent performance in the future.

Wolfgang Bertelsmeier
Director
Vietnam Enterprise Investments Limited
23 April 2014

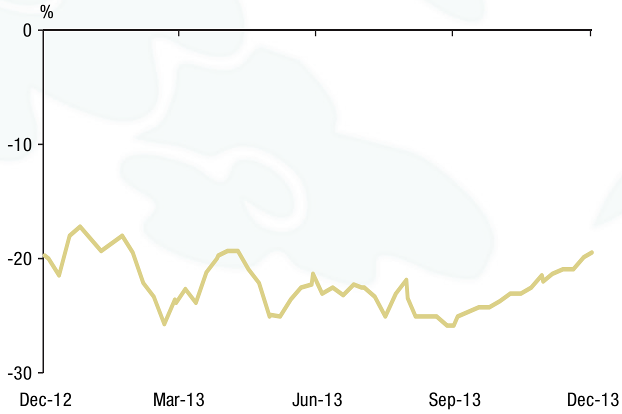
SUMMARY OF KEY FINANCIAL INFORMATION

Share Price & NAV



Source: Dragon Capital

Discount to NAV



Source: Dragon Capital

Performance

	31 December 2013	31 December 2012	% Change
Total net assets (US$)	473,537,549	US$401,551,608	17.93
Number of outstanding shares	154,294,023	168,487,420	(8.42)
NAV per share (US$)	3.07	2.38	28.99
Share price (mid-price) (US$)	2.47	1.91	29.32
Discount (%)	19.54	(19.75%)	1.03
US$/VND exchange rate	21,105	20,835	1.30
VN Index (price return - VND terms)	504.63	413.73	21.97
VN Index (total return - US$ terms) Source: Bloomberg*	n/a	n/a	25.54

*For the period 31 December 2012 to 31 December 2013

Period's High and Low (US$)	Year to 31 December 2013		Year to 31 December 2012	
	High	Low	High	Low
NAV per share	3.08	2.39	2.50	1.90
Share price (mid-price)	2.47	1.91	2.16	1.67

Source of Income (US$)	Year to 31 December 2013	Year to 31 December 2012
Bank interest income	75,802	138,623
Bond and loan interest income	-	47,368
Dividend income	17,029,889	18,103,275
Net changes in fair value of financial assets at fair value through profit or loss	57,709,045	69,989,012
(Losses)/gains on disposals of investments	39,486,112	(10,101,447)
Other income	365,342	439,347
Total	114,666,190	78,616,178

INVESTMENT MANAGER'S REPORT
Economy

A Classic Recovery Play

After suffering an implosion of its bubble-economy, Vietnam has turned around sharply following the implementation of strict austerity measures. Growth, as a consequence, suffered between 2010 and 2013, but the measures were instrumental in rebalancing the county's macro-economic structure and today Vietnam is reaping the benefits. Practically every macro-economic indicator points to a recovery in Vietnam, whilst many of its emerging-market peers face the prospect of tapering.

A. Economic growth

GDP growth is accelerating and should, according to our estimates, reach 6.0% in 2014 compared to 5.4% in 2013. Key drivers will be:

- continued macro-economic stability, as evidenced by a stable Vietnamese Dong ("VND")/US$ exchange rate and low inflation;
- a cautiously accommodative monetary policy and the resumption of public infrastructure spending, and
- a pick-up in consumer spending and generally higher levels of confidence.

Real GDP growth in Q1 2014 came in at 4.96% y/y, the highest figure in three years and a modest jump compared to 4.75% in 2013. Broken down by sectors; services grew by 5.95% (vs. +5.68% in Q1 2013), industrials and construction by 4.69% (vs. +4.59% in Q1 2013) and agriculture by 2.37% (vs. 2.24% in Q1 2013).

Government spending - a new driver for economic growth in 2014. Increased public infrastructure spending in 2014-15 will support the recovery of Vietnam's economy. Although interest rates were cut significantly during 2012-13, investment as a percentage of GDP dropped to 30% in 2013, the lowest level since the 90's. While this ratio used to be as high as 43-45% during the periods of excessive credit expansion, the normal level in Vietnam is around 35%, which is moderate compared to other countries. To stimulate Vietnam's economy, the Government plans to increase the ratio of total investment to GDP to 32% in 2014-15 and to this end, recently decided to increase the planned package for public investment in infrastructure and unfinished projects from VND100 trillion to VND170 trillion (US$8.1 billion, or approximately 5% of GDP) over the course of three years. The money will be used as follows:

- VND62 trillion mainly for the expansion of North-South Highway (1A highway);
- VND20 trillion to match ODA funding;
- VND15 trillion for the rural modernisation project; and
- VND73 trillion for unfinished projects

It makes sense for Vietnam to provide a fiscal stimulus now as private sector investment will only pick up when aggregate demand improves.

Fiscal multiplier - is this time different? From experience, inefficient public investment can have negative spill-over effects on the economy, distorting inflation and leading to currency difficulties in the long term. Given the size of the package and the current weak aggregate demand, we don't think that this package will create inflation. Equally important, given the high public and political attention to the disbursement of public spending and the new Public Investment Law, it is reasonable to assume that the efficiency of public investment will be better than usual.

New public investment law. Discussed by the National Assembly in November 2013, the new public investment law should improve accountability and transparency. First, it introduces a level of personal responsibility for the authority concerned for any public investment proposal, investment decision, appraisal and approval. Second, ministries of provinces will need to prepare a five year capital budget plan, instead of annual plans as was previously the case, which must include both the public investment plan and the sources of revenue.

SOEs reform. It is evident that there needs to be a fundamental reassessment of the role of the State in relation to the economy and the State Owned Enterprises ("SOEs") sector in relation to the other sectors of the economy. However, Vietnam has not undertaken any deep and wide-reaching structural reforms as of yet. This will surely prolong sluggish growth and slow down the recovery in Vietnam compared to its Asian peers. There have been some positive developments during the last few years. Perhaps most significantly, the decision not to bail out Vinashin. Previous to 2010, SOEs could borrow at less than 100 bps above Government bonds ("VGBs") whilst the private sector had to pay 250-500 bps over VGBs. This did not only exacerbate capital misallocation, but was also a source of inflation and macro instability. Today, the cost of funding for SOEs is more expensive compared to the better companies in the private sector and good SOEs will have to pay about 300-320 bps over VGBs compared to 80 bps previously.

Privatisation. The Government is now actively pursuing the privatisation of SOEs and has announced plans to privatise 431 SOEs in 2014-15. It remains to be seen if significant companies will actually be privatised, but even if the Government only successfully privatises some of its major companies, this will help to invigorate sentiment as well as to broaden the board on the exchange. Targeted companies include several large contractors (Construction Companies No 1, 4, 5 and 6), three of the biggest power stations (GENCO 1, 2 and 3), VinaTextiles, Ca Mau Fertilizer, Vietnam Aviation Corporation, Vietnam Airlines and Mobifone. All of these companies would offer size, but with very varying fundamentals. One of the key problems preventing privatisation and divestment of SOEs earlier was the restriction on selling state assets below book value or below par value. In March 2014, the Government issued resolution 55 which allows SOEs to divest non-core businesses at any price so long as the process is transparent.

We expect that growth in FY2014 is going to surprise on the upside, fuelled by gains in fiscal and export manufacturing expansion as well as a diminishing drag from credit deleveraging. TPP, when ratified in 2014, will surely provide a positive impetus to FDI, exports as well as to consumer confidence. We, therefore, forecast economic growth to exceed 6% in 2H 2014, but expect GDP growth for the entire year to reach 6%.

B. External account revamped

Registered FDI grew 54% to US$21.5 billion in 2013. Disbursement reached US$11.5 billion, or +10%. The key drivers were investments of US$3 billion from Samsung Electronics, US$1.2 billion from Samsung Electro-Mechanics and US$1.5 billion from LG Electronics. Another key driver was an investment wave of Hong Kong, Chinese and Korean textile companies in anticipation of the signing of the TTP. To cite a few examples: Texhong invested US$300 million, Pacific Textiles US$180 million, TAL Group US$200 million and Korea's Kyungbang US$160 million. Kyungbang's aim is to be the largest mill in Asia. Given that recent FDI projects focus on manufacturing and not on property, as was the case in the past, we expect to see a higher ratio of fresh money coming from overseas rather than from local borrowing.

In Q1 2014, newly registered FDI projects committed US$2.1 billion, compared to US$2.9 billion in Q1 2013. The main reason for the decline was a huge jump in 1Q 2013 investment commitments, which was not replicated in 2014. If we include additional registered FDI from existing projects, total committed FDI reached $3.3bn in 1Q 2014 compared to $6bn in 1Q 2013. The main difference stemmed from the Nghi Son Oil Refinery project which committed additional capital of US$2.8 billion in Q1 2013. However, in Q1 2014, disbursed FDI increased by 6% and reached US$2.9 billion vs. US$2.7 billion in Q1 2013.

Export grew at 15.4% in 2013, totalling US$132 billion, compared to 18% in 2012. This result was better than most of Vietnam's peers in Asia. While commodity export declined due to falling prices, Vietnam's labour-intensive manufacturing exports such as garments, footwear and furniture sustained rapid growth and high tech/electronics export continued to expand rapidly for the second consecutive year, up 69% in 2013 compared to 86% in 2012. Export of cell phones and accessories overtook garments as the largest export item in 2013, with high value export items accounting for 25% of Vietnam's total export. We expect this ratio to reach 30% in the next two years.

In Q1 2014, export growth came in at 14.6%. High tech/electronics and manufacturing continued to do well. However, petroleum and soft commodity export declined with the latter decline attributable to rice and rubber.

Import accelerated in 2013, growing at 15.4% vs. 6.6% in 2012. This stands in stark contrast to the 7% contraction of domestic import in 2012, which reflected a substantial cut in public investment and weak aggregate demand. The resumption of import growth, especially for the domestic sector, indicates an improvement of both investment and consumption demand in 2013. Import of machinery, equipment, and intermediate goods has been rising fast, implying that a new cycle of investment and production may be underway. In Q1 2014, import grew 12.4%, mainly due to material inputs.

Trade deficit peaked in 2008 at US$17.5 billion, equivalent to 18% of GDP. The trade balance has since improved and Vietnam posted a US$0.9 billion trade surplus in 2013. This was the second consecutive year of trade surplus, since the first trade surplus in 1992. This can be attributed to the investment wave into Vietnam during the period from 2006 until 2009 which has now become productive. It appears Vietnam is experiencing another investment wave which commenced in 2013, which bodes well for continued trade surpluses in the future. In Q1 2014, the trade account recorded a US$1 billion surplus.

Vietnam is among the few countries in Asia that posted a current account surplus in 2012 and 2013. Booming export, strong inflow of remittances (+US$8.4 billion) and a gradual pick up in import contributed to Vietnam's current account surplus. Future surpluses will depend on the ability to move up the "value added" chain in manufacturing sectors such as high tech and textile and to reduce the currently high reliance on imported parts/components.

Foreign exchange ("FX") reserves. To date, the capital account has not been an issue for Vietnam as exposure to portfolio flows has been mostly limited to closed-end funds and the bond market is still minimal. Given the strong inflow of FDI and foreign indirect investment coupled with a managed FX regime, the State Bank of Vietnam ("SBV") has succeeded in accumulating FX reserves and strengthening its external position. FX reserves have tripled in the last three years, reaching an estimated US$32 billion in 2013. By end of 2014, FX reserves are expected to increase to as high as US$40 billion. The outlook for the local currency, therefore, is stable and depreciation, if any, would be a conscientious decision by the SBV to support export growth.

C. Inflation has stabilised

Headline inflation came in at 6% in 2013 compared to 6.5% in 2012. However, inflation was distorted by the decision to adjust education and healthcare cost by 12% in 2012 and 19% in 2013. Excluding education and healthcare, inflation would have come in at 4.3% in 2013. The adjustment of education and healthcare cost will continue in 2014, but the magnitude of adjustment is expected to be one-third of that in 2013.

Reduced inflationary pressures from non-monetary-policies. Monetary policy is no doubt a key factor in impacting inflation, however in the case of Vietnam, other factors are crucial for the short-term forecast of inflation, namely the price of petroleum, pork and rice.

Oil price likely to fall. A strong increase in shale oil production during the last two years coupled with the end of the 75-year oil monopoly and anaemic demand growth will put the oil price under pressure in the coming years.

Rice price to remain stable. After a spike of US$1,100 per tonne in 2008, most nations increased their rice production for national food security. This resulted in a steady increase in the stock-to-use ratio, which since 2008 has climbed rapidly from 24% to almost 38% in 2013. Given the current prospects of ample stock availabilities, the rice price is expected to remain stable.

Pork price likely to face less severe pressure. The pork price accounts directly for 7% of the inflation basket and is estimated to have another 7% indirect impact. The pork price is sensitive to local demand and supply as well as to demand from China as the latter accounts for 47% of world consumption, equivalent to 16x that of Vietnam. World pork demand and supply is lackluster for 2014, but the imbalance is much less severe compared to 2011 when the pork price increased by almost 100% due to Chinese demand which, in turn, was one of the key factors pushing Vietnam's headline inflation to 23% at the peak in 2011. Today, Vietnam is much better prepared for such a situation.

The 2014 March consumer price index ("CPI") declined by 0.44% month-on-month (m/m), bringing inflation to 4.39% y/y. The General Statistics Office ("GSO") reported that Q1 FY2014 CPI rose 0.91% compared to the end of 2013, which is the lowest increase in 10 years. This low inflation was driven by abundant supply and better government policies. In 2014, we expect inflation to reach 5.9%, significantly less than the 7% target set by the Government.

D. Banking sector

Loan growth and NPLs. Although rate cuts are ongoing, credit growth has remained low due to supply- and demand-side issues. Systemic risk is minimal as banks have deleveraged from a loan-to-deposit ratio of 108% to 85% and from a credit-to-GDP ratio of 130% to 100%. Nonetheless, banks are still cautious about lending given the continued high level of NPLs. According to Fitch, NPLs were 15% of all loans in September, or approx. US$25 billion. Consumers and companies are reluctant to borrow as lending rates of 13% are still unattractive, particularly as business prospects have not been fully established.

The Government established VAMC to absorb NPLs. VAMC commenced operation in October 2013. The spirit of VAMC's programme is similar to that of quantitative easing in the US/Europe. The risk of asset quality does not necessarily diminish, but the program gives banks time to deal with their problems and ultimately outgrow them. To date, VAMC purchased US$1.9 billion of NPLs in 2013 and plans to take up a further US$6.7 billion in 2014.

This implies that NPLs will be resolved gradually. However, judging by the experience of the Asian financial crisis, all that is really needed to restore normal lending operations is for NPLs to drop to single digits as a percentage of total loans. If this applies to Vietnam as well, it may take the banking sector less time than anticipated to resolve NPLs, potentially by sometime in 2015.

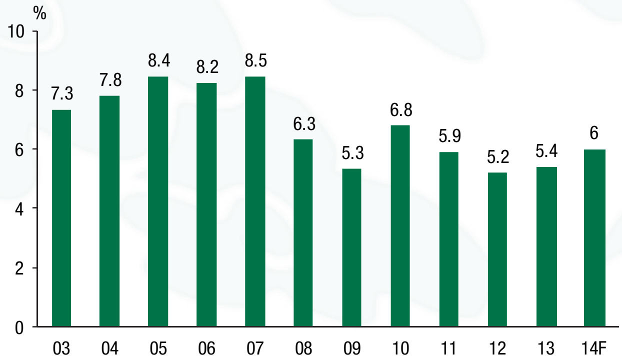
Relief in respect of property. Banks are also gaining support from the property market which is now bottoming. In Ho Chi Minh City, there were several large office/hotel transactions during 1H 2013, and the residential market started warming up in 2H 2013. Hanoi has been less bullish. It was more or less frozen throughout 2012, with strong price declines on the few deals that occurred. But certain quality projects did bounce back in 2013, with a pick-up of around 10%. Hoa Phat Group's Mandarin Garden went from US$2,350 per square metre in 2011, to US$1,450 per square metre in late 2012, but is now pushing US$1,600 per square metre. Vincom's mega-scale Royal City has made similar moves from its lows. In both cases, there has also been a dramatic improvement in unit sales. On the back of such trends, we note that the market value of bank collateral has shown signs of stabilisation and in some cases has started to increase.

E. Fiscal deficit remains an issue - but helps growth

The fiscal deficit increased from 4.8% of GDP in 2012 to 5.3% in 2013, due to slower economic growth and lower revenue collection. Nonetheless, there are plans to increase the fiscal stimulus in 2014 with a 25% hike in public infrastructure investment to approx. US$11.5 billion, equivalent to an extra US$2.5 billion or 1.5% of GDP. This will coincide with a cut in corporate income-tax rates from 25% in 2013 to 22% in 2014. This will further increase fiscal pressure, however with GDP going up, the deficit ratio may be flat. The National Assembly has approved a 5.3% target, but we project 5.4%. This incremental increase will help to kick-start growth, without threatening the hard-won progress on currency and deflation. No one would deny that Vietnam needs infrastructure renewal either. The next step for Vietnam's budget control is for the Government to speed up SOE privatisation.

Real GDP Growth

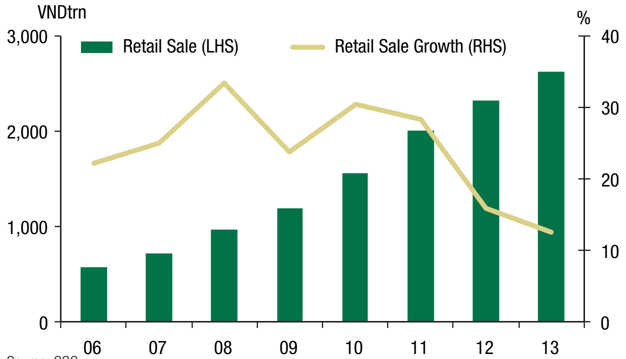
GDP grew 5.4% in 2013 vs. 5.2% in 2012. There were three key drivers. Manufacturing growth increased from 5.8% in 2012 to 7.4% in 2013, reflecting the beginning of a recovery in final demand. Construction accelerated from 3.3% in 2012 to 5.8% in 2013, but remained well below the average of 9% during the period 2005-2010. The service sector improved as well, rising from 5.9% in 2012 to 6.5% in 2013. Given the improvements in the PMI trend, increased public infrastructure spending and accommodating monetary and fiscal policies, we expect 2014 GDP growth to accelerate to 6%.



Source: General Statistics Office ("GSO")

Retail Sales

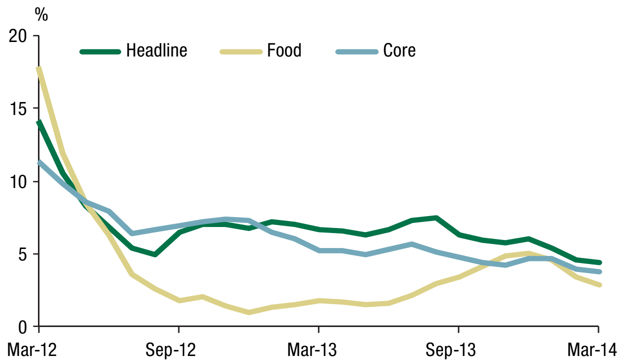
Retail sales grew 12.6% in 2013, decelerating from 16% in 2012 partly due to lower price increases. If adjusted for inflation, retail sales grew a mere 5.6%, lower than the 6.5% growth during the same period in the previous year. Wage reductions and higher unemployment negatively affected consumer confidence and consumption in 2013. However, we are confident that consumer consumption will gradually improve as the economy is bottoming out; 1H 2013 retail sales volume growth was only 4.9% but for full 2013, it increased to 5.6%.



Source: GSO

Inflation

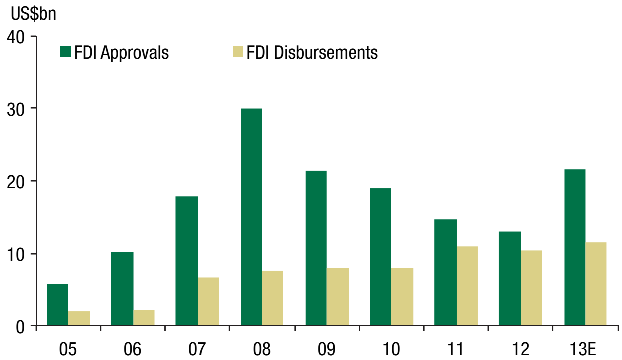
Given the on-going economic weakness and stable food prices, inflation continued to trend lower, from 6.8% in 2012 to 6.0% in 2013. Healthcare and education prices increased almost 19% and 11.7% respectively. Excluding education and healthcare adjustments, CPI y/y would have been 4.3%. We expect this adjustment plan to continue in 2014, but the increase in 2014 should be smaller than in 2013. In Q1 2014, inflation was just 0.8%, the lowest Q1 inflation rate in ten years, bringing CPI y/y to 4.4% while core CPI y/y was only 3.8%. We forecast inflation will remain well below 6.0% for the entire year, which would be significantly lower than the Government target of 7%.



Source: Ministry of Planning and Investment ("MPI"), International Financial Statistics ("IFS"), Dragon Capital

Foreign Direct Investment

Registered FDI grew 55% to US$21.6 billion in 2013. Disbursement reached US$11.5 billion, or +10%. The largest key drivers were investment of US$3 billion from Samsung Electronics, US$1.2 billion from Samsung Electro-Mechanics and US$1.5 billion from LG Electronics. Another key driver was an investment wave of Hong Kong, Chinese and Korean textile companies in anticipation of the signing of TPP. We expect FDI disbursement to accelerate further in 2014 given the strong registered FDI inflow and improving infrastructure development in 2013.



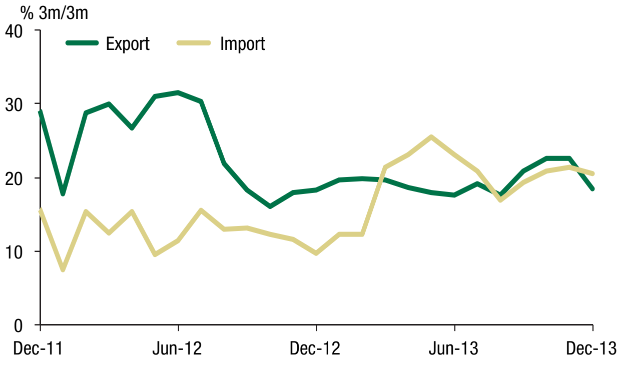
Source: GSO, Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

Economy

Export and Import

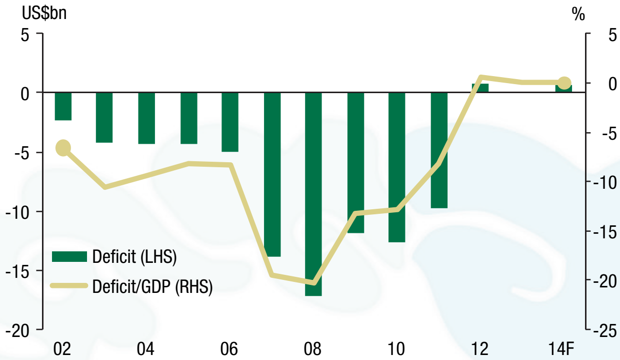
Export growth slowed from 18.2% in 2012 to 15.4% in 2013 mainly due to lower commodity export while manufacturing export grew more than 25% y/y. This is much higher than most of Vietnam's peers, such as China, Thailand, Indonesia, India or Philippines. Import growth in 2013 was 16.1%, significantly higher than 6.6% growth in 2012. Import growth was led by materials import for capex expansion, export manufacturing and consumption demand. This points to an economic recovery after a difficult period in 2012. We forecast 2014 export and import growth at 19.0% and 18.5%, respectively.



Source: Customs, IFS, Dragon Capital

Trade Deficit

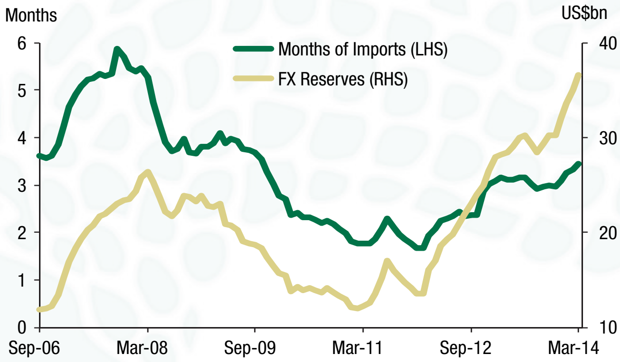
After an exceptional performance in 2012, the trade surplus for the first nine months of 2013 moved slowly towards a deficit as import demand rebounded. However, total export was US$132.1 billion (+15.4% y/y) while import was US$132.1 billion (+16.1%), resulting in a balanced trade account in 2013. The core trade deficit, based on our 12-month rolling analysis, also increased from a surplus of US$0.4 billion at the end of 2012 to a deficit of US$0.6 billion in December 2013. For 2014, we expect a small trade surplus of US$0.7 billion, based on expected higher export growth vs. import growth.



Source: GSO, IFS, Dragon Capital

Foreign Currency Reserves

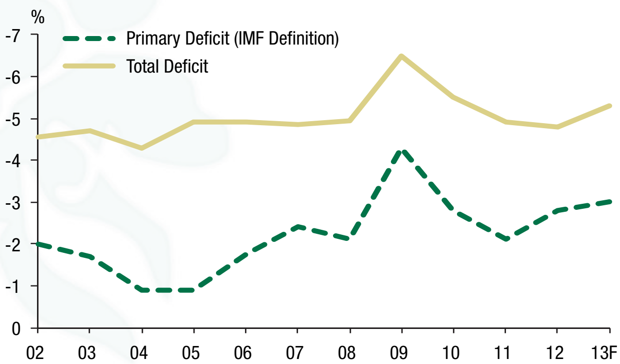
We estimate SBV bought US$6.5 billion in 2013 to increase its FX reserves, following purchases of US$12.1 billion in 2012. In total, FX reserves should be close to US$32.1 billion at the end of 2013. The continued build-up of FX reserves provides more liquidity to the banking system, helps with the process of lowering interest rates and increases the confidence in the overall economy. For the whole year of 2014, we expect net FX reserves to increase by more than US$7.0 billion. It is reported that in first two months of 2014, SBV bought US$4.0 billion.



Source: IFS, Dragon Capital

Fiscal Balance

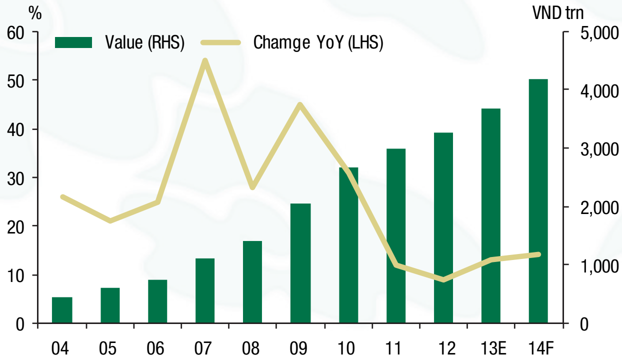
Vietnam's 2013 budget deficit is estimated at VND140 trillion. Revenues were up 6.4% y/y and reached VND791 trillion or 97% of the full-year target. Expenditures came in at VND930 trillion (up 9.4% y/y), or 101% of the full-year target. Including VND55.6 trillion in debt repayment, the budget deficit was VND196 trillion, or 5.3% of GDP. Given a lower CIT next year and an increasing capital expenditure plan to stimulate growth, the Government is sticking to a budget deficit target of 5.3% for 2014. In the Government's plan, revenue collection is expected to decline by 1% in 2014, which is very conservative in our view. We believe that revenue collection will exceed the target and any excess will be used to stimulate economic growth rather than lowering the budget deficit.



Source: MOF, International Monetary Fund ("IMF"), Dragon Capital

Credit Growth

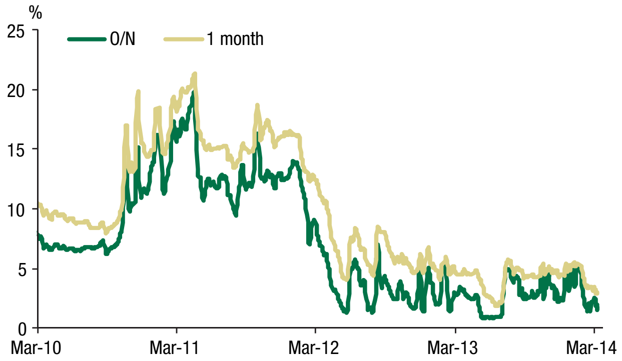
According to the Government, credit growth was 12.5% in 2013, higher than the 8.9% reported in 2012, however the figures were somewhat inflated during the last month of 2013 as some banks pump up the reported total outstanding credit so they can announce stronger results. On the other hand, real credit expansion was understated due to a number of reasons: 1) banks used provision funds to write off VND32 trillion (US$1.5 billion) of bad debts, 2) banks transferred VND13 trillion (US$620 million) of bad credits to VAMC, and 3) banks unwound their gold lending position, leading to the collection of an estimated VND14 trillion (US$670 million) in gold credit. In 2014, given expected stronger growth and accommodative policies, we expect credit growth of 13-15%.



Source: GSO, Dragon Capital

Bank Liquidity

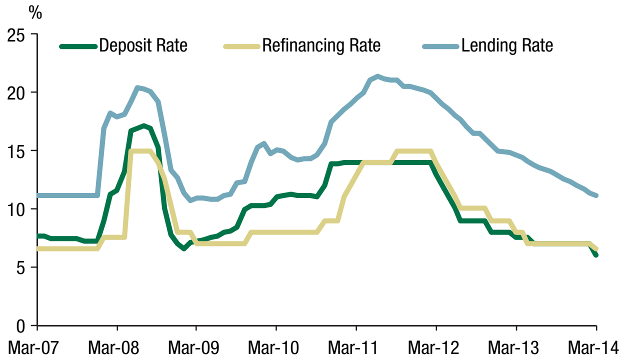
Banking system liquidity remained excessive across 2013 as money inflows were strong whilst credit growth remained weak. This was reflected by low interbank rates in May; overnight ("O/N") rates below 2%, and the 1-month-3-month rate below 3%. In July, rates spiked to 5-6% as SBV sold FX reserves and issued T-bills to increase the attractiveness of VND and re-stabilise the local currency. Thereafter, interbank rates stabilised below the open market operations rate of 5.5%, while the US$/VND exchange rate returned to within the trading band.



Source: SBV, Dragon Capital

Monetary Policy

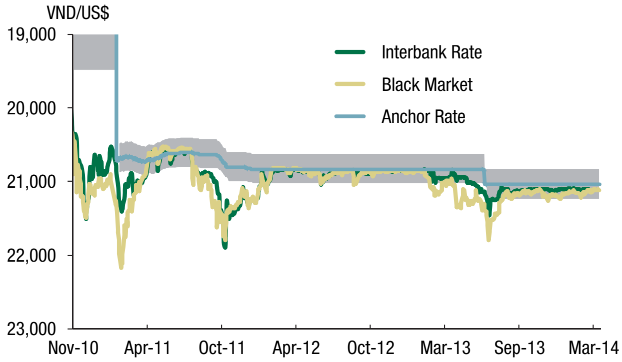
Monetary policy was conservative throughout 2013 to control inflation, yet flexible enough to support growth. After the first rate cut in March, SBV reduced the VND ceiling rate for 1-month-6-month to 7% and in May abolished the ceiling rate for deposits of 6-month or longer. The US$ deposit ceiling rate was also curtailed from 0.5% to 0.25% for institutions and from 2% to 1.25% for individuals. With low inflation and weak credit growth, the move was appropriate and in line with our expectation that lending rates would drop further to support growth. As of the end of 2013, lending rates had dropped to 10-12% on average, still higher than the level of 9-11% before 2007. We expect monetary policy to be accommodating for growth, in line with our expectation of less than 6% inflation and a stable currency in 2014.



Source: SBV, IFS, Dragon Capital

The Local Currency

In July, SBV adjusted the US$/VND reference rate down by 1% to 21,036, in light of the recent weakening of regional currencies. Peer currencies depreciated 7-9% across May and June, relinquishing most of their gains since July 2012. We do not see this adjustment as a worrying signal but as a reasonable move to better reflect market rates and maintain macro stability. Since 2011, Vietnam's exports have continuously outperformed its peers. We expect the VND to remain stable in 2014 in line with our expectation that Vietnam will deliver a current account surplus of US$6.6 billion in 2014 and achieve record FX reserves.



Source: SBV, Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

Stock Market

Recovery: Equity as an Optimal Asset Class

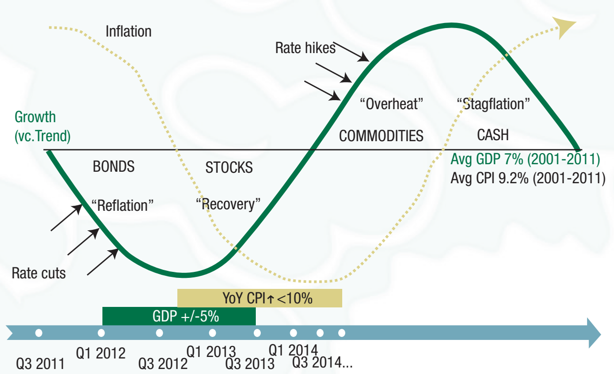
The VN Index maintained its upward momentum for the second consecutive year, gaining 26% in 2013 following a 18.2% total return in 2012. Foreign investors remained net buyers and injected US$326 million into the Ho Chi Minh City Stock Exchange ("HOSE") during 2013, and accounted for approx. 15% of turnover on HOSE. The performance in 2012 was attributable to the rebound from distressed levels when the VN Index was traded at 1.1x price-to-book ratio ("PBR") and the Hanoi Index was at 0.7x PBR. The rally in 2013 was driven by the rerating of earnings for some top companies, a more accommodating monetary policy and macro-economic stability.

Vietnam's stock market performance has been relatively uncorrelated to the developments outside the country. The country neither benefitted from quantitative easing nor suffered from tapering and the recent outflows from emerging markets between June and August 2013 only marginally affected Vietnam as there were substantial redemptions for ETFs. Whilst this led the VN Index to a drop by 7.2% to 472 in June, the drop was short-lived and investors started buying on weakness while money continued to flow from other asset classes into equity to support the VN Index.

It is worth mentioning that foreigner inflows are not only indirect, but also direct in the form strategic stakes. In 2013; Warburg Pincus took a 20% stake in a retail joint venture with Vincom for US$200 million; KKR injected US$200 million for a further 10% in Masan Consumer; IFC bought 10% of An Binh Bank for US$41 million, and; Thailand's Siam Cement Group spent US$240 million for 85% of Prime, a tile producer.

A. Investment cycle

Economies go through different cycles, namely reflation, recovery, overheating and stagflation. Each cycle is uniquely defined by the direction of GDP growth relative to trend, and the direction of inflation. And each of these phases is linked to the outperformance of a specific asset class. During reflation, bonds are expected to be the best asset class whilst during recovery stocks are the asset class to be invested in. To identify the turning points when the economy moves on to the next cycle will be crucial for making the right portfolio management decisions.



Source: Merrill Lynch, Dragon Capital, SGI

From Q2 2010 till Q2 2011, Vietnam was in the stagflation phase with rapidly rising inflation and slower GDP growth. In Q3 2011, Vietnam entered the reflation phase where growth is sluggish, profits are weak and real yields drop as inflation decelerates. In Q1 2013, growth started to bottom. Inflation in 2013 posted 6%, the lowest figure in the last 10 years, and is expected to remain stable in 2014. Given the projected trajectory of inflation and GDP growth, Vietnam has moved to the recovery phase where equity is the asset class to be invested in.

This view is further supported by a look at money flows between different investable asset classes in Vietnam such as gold, money deposits, stocks and property.

B. Money flow to other asset classes

Gold is sensitive to the Fed's tapering. In the case of Vietnam, the volume of gold auctions and the frequency of auctions are good proxies to measure local gold demand. During the period from March until July 2013, SBV organized gold auctions every two days. The auction volume was 28,000 taels on average. Starting early August, the SBV reduced the auction frequency to every four to five days and the volume declined to 19,000 taels on average. This represents a drop in local demand by two thirds, a trend that is likely to continue unless there is a huge spike in international gold prices.

Term deposits are another asset class that competes with equity. Deposit rates have come down to pre-crisis levels, i.e. 6% on average for one month tenor. The attractiveness of term deposits has declined significantly compared to the 9-12% deposit rates in 2011-2012.

Property market has started seeing better turnover in 2013 versus 2012. However, the turnover focuses on finished projects and developments by well-known developers. The whole property market is still sluggish. It is hard to see a significant flow of money going into property market in 2014. If we see a rally in the real estate market then property stocks will need to go up another 50-100% as most property stocks are traded at 0.7x PBR.

C. Sector rotation

Stocks generally lead the economy, and stocks, therefore, will often bottom before the economy begins to pick up. This is what happened in 2012. Of course, certain stocks will perform better than others and which stocks perform the best will change as the cycle progresses. Hence, not all securities move together at the same time, or at least not with the same magnitude.

Shifting from top-down to bottom-up approach. We classify stocks into three groups, i.e. 1) blue chips, sector leaders, or companies with a solid balance sheet, 2) mid-cap and sub-sector leaders and 3) pennies or stocks with highly leveraged balance sheets and without a solid core business.

Some companies in the first group were not much affected by the economic slowdown; e.g. Vinamilk and Hau Giang Pharma. The share price performance of these companies in 2013 was fantastic; +57% for Vinamilk and +67% for Hau Giang Pharma. Other companies in the first group saw their economic activities touch the bottom in 2012 and recover in 2013. Stock prices of these companies also performed very well, receiving re-rating to normal levels. Hoa Phat Group and Hoa Sen Group, for example, both suffered slow demand, but benefitted from sector consolidation that saw their margins bottoming out in 2012, and achieved price increases of 101% and 131% in 2013, respectively.

The outlook for the first group remains attractive as their valuation is still discounted to regional peers. Hence, we do not rule out the possibility of a further re-rating during the recovery period. In any event, stock prices will follow earnings, but it is hard to see them delivering the same fantastic performance as in the last two years.

The companies in the second group faced difficulties in 2012 but started seeing normalisation of their business in 2013. An example is Coteccons, which faced challenges in collecting account receivables and lower construction demand. However, given its strong balance sheet with net cash equivalent to 75% of market cap, Coteccons, as a leader in the private construction sector, was able to capture the construction demand from FDIs and the early economic recovery. Coteccons's share price was sluggish in 2012 and 1H 2013, but delivered an excellent performance in 2H 2013, yielding +75% year-to-date ("ytd"). Despite the recent rally, Coteccons is traded at 7.1x price-to-earnings ratio ("PER") 2014, and 0.9x PBR. Companies in the second group are expected to continue doing well in 2014 as they start to enjoy the recovery, and their valuations are still deeply discounted.

Companies in the third group have either been delisted or suffered extreme share price drops. In 2013, some 40 companies delisted and many more will delist or go bankrupt in 2014. Some however will graduate to the second group.

The industry classification benchmark of the VN Index also provides some insight to sector rotation. In theory, when the market is at a bottom, consumer discretionary stocks are usually the first to turn higher. That was true for the VN Index in 2012. Utilities also enjoyed a nice recovery in 2012-2013. However, financial and banking stocks have not done well. Bank stocks bounced around the bottom during 2013. One of the reasons for this, was bank stocks were traded at 0.9-1.3x PBR, which was not at distressed levels. Improved performance will come gradually with the recovery of earnings and the NPLs cleaning process. Property stocks have been traded at distressed level as solvency risk is still a concern. On the back of improving sales, some property stocks have rallied in Q4 2013, but are still traded at a deep discount to their NAV.

Given that Vietnam is in the recovery phase and the NPL workout programme has commenced, it may be the time to start adding some banking stocks to the portfolio and increase the weight according to the improvement of bank's balance sheets in the next 12-24 months.

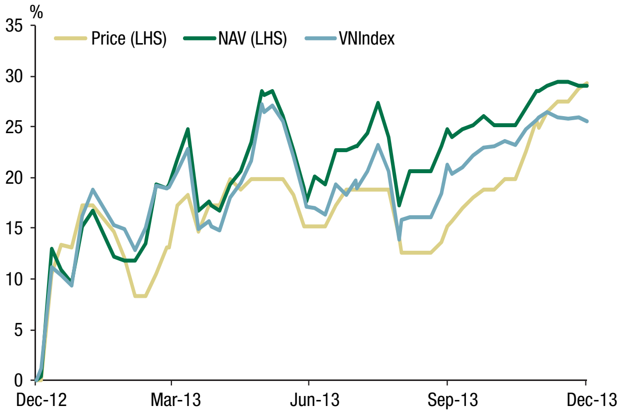
D. Catalysts from the financial market's development

The Ministry of Finance has submitted an updated proposal on higher FOL to the Prime Minister for approval. The key points are: 1) foreign investors may be allowed to increase voting share holdings to a maximum of 60% vs. 49% in some listed companies; 2) foreign investors may be allowed to increase holdings in investment certificates to 100%, and 3) foreign investors may be allowed to increase holdings in local securities firms to a maximum of 100%. It is likely that the proposal will be approved in 1H 2014 after a long delay. Once approved, it will take a month to issue detailed guidance on this circular. We believe the soonest that foreigners can effectively increase their holdings will be from July 2014 onwards. However, the market will start to price in the increased FOLs as soon as the circular is approved by the Prime Minister.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Fund

Fund Performance



Source: Bloomberg, Dragon Capital

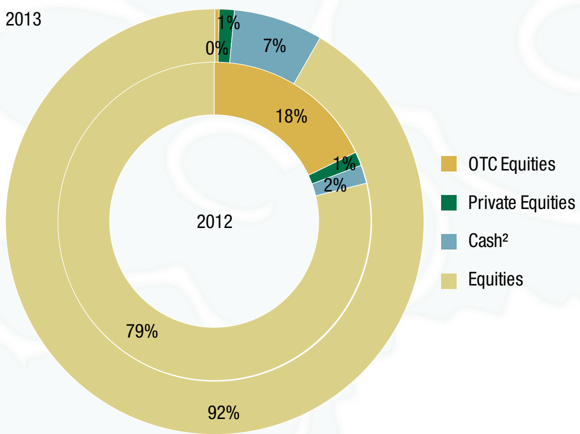
Vietnam's stock market maintained its upward momentum for the second consecutive year and gained 25.5% in 2013 after delivering a return of 24.2% in 2012. This was supported by a stabilised economy and a favourable monetary policy. Equally important, the stock market became more attractive to local investors compared to other investment channels such as deposits and gold. Last but not least, foreign inflows helped to improve the market's liquidity compared to last year. Foreigners injected US$263 million into HOSE during 2013 and accounted for approximately 15% of turnover on the bourse. Spurred by this positive backdrop, it is not surprising that stocks with decent growth and high cash dividends benefited the most. The market was driven mainly by large cap stocks with solid fundamentals from F&B (Vinamilk), pharmaceuticals (Hau Giang Pharma) and materials & resources (Hoa Phat Group and Hoa Sen Group).

VEIL outperformed the VN Index by 3.5% and delivered a return of 29.0%. The main contributor to this strong performance was the large holding in Vinamilk, which increased by 60.8% in 2013. Vinamilk's excellent performance was driven by its strong business result, with 16% growth in sales and 12% growth in net profit. The real estate sector also delivered a high return, achieving 42.3% thanks to REE, one of VEIL's top five holdings, which was up 89%. Materials & resources posted a nice gain of 49.8%, as Hoa Phat Group increased 99.8% owing to margin improvements and exceptional gains from reversing provisions and financial divestments.

FPT, representing software & services, delivered a decent return of 35.0%. The energy sector outperformed the VN Index on a relative basis with gains of 68.6%, the main contribution coming from PV Gas which increased by 77.7%. Hau Giang Pharma, on behalf of the pharmaceuticals sector, provided a realised gain of 58.7%, which was mainly driven by its strong fundamentals with 20% growth in revenue and 21% growth in net profit. Funds, composed of two local funds VFMVF1 and VFMVF2, also performance well and increased by 60.7%. During the year, VEIL redeemed 69.3% of VFMVF1 and a portion of VFMVF2. Given VEIL's large holding in VFMVF1, it is important to reduce its position in VFMVF1 gradually, in order to avoid facing a possible wave of redemptions when VFMVF1 converts to an open-ended fund in September 2014.

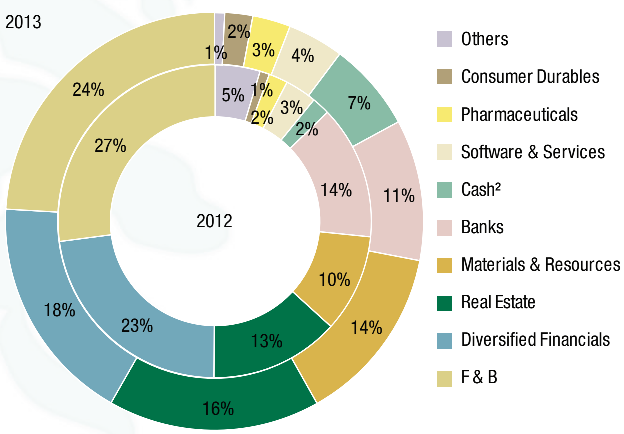
On the negative side, diversified financials dropped by 11.6% as Masan Group lost 20.1%. This was due to Masan Group's disappointing 2013 business results with net profit reduced by 66% due to inventory adjustments in 1H 2013, high investments for new product launches and a negative contribution from Techcombank. Banks were almost flat with a minor negative return of 0.1% because ACB decreased by 2.7%. Consumer durables decreased by 10.1% because of Phu Nhuan Jewelry's poor performance.

Asset Allocation by Asset Class[1]



Source: Dragon Capital

Asset Allocation by Sector[1]



Source: Dragon Capital

[1] For a full portfolio listing, please see Note 6 to the Consolidated Financial Statements

[2] Cash includes other receivables and liabilities

INVESTMENT MANAGER'S REPORT (CONTINUED)

Fund

Attribution Analysis

Vinamilk is VEIL's largest holding accounting for 24.1% of NAV and also the largest holding in the F&B sector. Vinamilk is well run, has sound corporate governance practices, operates a solid business on the back of dominating market shares and has an excellent track record of consistently delivering growth and profitability, making it a preferred holding for investors. In 2013, Vinamilk's share price increased by 60.8%, contributing 14.6% to VEIL's performance. In December, VEIL sold 5.4 million Vinamilk shares to reduce its position from 27.1% to 24.1% of NAV for concentration risk management purposes.

VEIL's real estate holdings increased by 42.3% and outperformed the real estate component of the VN Index which was up 16.5%, contributing 5.5% to VEIL's return. This positive contribution was attributable to good stock picking, namely REE. REE maintained decent growth in its traditional businesses, i.e. mechanical and electrical engineering ("M&E"), white goods and offices, while benefitting from exceptional profit from one of its largest affiliated companies, Pha Lai Power. Pha Lai Power posted surprise growth in net profit thanks to FX gains on its Yen-dominated loans, which boosted REE's share price by 89.1% and thereby contributed 4.6% to VEIL's return. Hoang Anh Gia Lai aims to become the leading regional resource player and property developer and, as a result, shifted its focus to rubber and sugar cane plantations and scaled down other businesses such as mining, hydro electricity and construction materials (stone and wooden furniture). However, the dilution from CS's debt-for-equity swap and the listing of new shares from a recent rights issue, coupled with the downtrend in rubber price, impacted market sentiment. The stock, posted a meagre gain of 6.5%, and contributed only 0.6% to VEIL's performance.

Materials & resources reported an increase of 49.8%, contributing 5.2% to VEIL's return. Hoa Phat Group was the main contributor to this sector's performance with a return of 99.8%, adding 4.3% to VEIL's return. For 2013, Hoa Phat Group recorded net profit of VND1,954 billion, an impressive growth of 97%. This result was driven by improvements in margins owing to a combination of falling raw material prices, a lower interest burden and exceptional gains from reversing provisions and financial divestments. Phu My Fertilizer increased 27.1% thanks to its highly profitable business and an attractive valuation, adding 1.3% to VEIL's performance.

Software & services, represented by FPT, delivered a return of 35.0%, contributing 1.28% to the VEIL's performance. In 2013, FPT achieved sales growth of 13% while net profit came in at a modest 5%. Revenue growth was mostly derived from the retailing business, which nearly tripled compared to 2012 and accounted for 60% of total sales growth. Profit experienced modest growth as segments such as Online Services and Education performed poorly.

Diversified financials, heavily weighted in VEIL with 17.7% of NAV, significantly underperformed with a negative return of 11.6% and reduced VEIL's return by 1.8%. The main detractor was the sluggish performance of Masan Group, which dropped by 66%. In Q1 2013, Masan Group posted poor business results attributable to inventory adjustments in its consumer business, the high cost of new product development and a slowdown in consumption. However, new product launches in Q2 2013 have driven 2H and full year top line to increase 15% y/y. Despite the good performance in revenue, the higher sales and general administration ("SGA") expenses for new products, the profit drop in Techcombank and interest payments for financing the mine have eaten up all the profit. We think the picture for 2014 will be brighter for Masan Group, driven by new products in consumer business, healthy cash flows from the mine and the recovery in earnings of Techcombank. The other financial investment - SSI, one of the country's largest brokers, performed better and rose by 14.9%, contributing 0.7% to the VEIL's performance for the period.

The banking sector (accounting for 10.9% of NAV) was flat in 2013 and contributed 0.3% to VEIL's performance. The banking sector continued suffering under the bad debt problem. ACB, a major holding in the sector with 9.0% of NAV, was no exception. ACB has undergone a restructuring process in which the bank scaled down its equity investments and gold business and refocused on its traditional lending business instead. The stock went down by 2.7% and reduced VEIL's return by 0.1%. Military Bank, the other bank in sector with 1.4% of NAV, had better fundamentals thanks to a smaller bad debt situation and low cost of funding. Military Bank's stock price increased by 9.5% and contributed 0.2% to VEIL's return.

Sector Return and Contribution

Sector	Portfolio Return (%)	VN Index Return (%)	Portfolio Contribution (%)
Food & Beverage	60.78	6.14	14.61
Real Estate	42.31	2.75	5.49
Materials & Resources	49.81	2.80	5.22
Software & Services	38.09	0.54	1.28
Energy	68.59	9.95	1.17
Pharmaceuticals	58.73	0.73	1.13
Funds	60.72	0.00	0.81
Banks	-0.11	0.59	0.28
Consumer Durables	-10.13	0.16	0.01
Diversified Financials	-11.58	-1.56	-1.80

The performance of the other holdings was mixed. Pharmaceuticals and funds increased by 58.7% and 60.7% respectively. Consumer durables, represented by Phu Nhuan Jewelry, retreated by 10.1%, as the jewellery business was impacted by weak demand. During the year, VEIL divested from PV Gas and Beaubien. For PV Gas, VEIL bought 3.8 million shares at privatisation/IPO and topped up its positions before listing, bringing the total to 5.6 million shares. The sale of PV Gas delivered a return of 39% over three years. Beaubien, an investment vehicle which holds an interest in Riverside Apartments, was sold at a total value of US$3.44 million.

Outlook

Vietnam's economy will be brighter in the coming years on the back of increasing FDI, export and credit growth as well an easing of monetary policies. Further, if the Trans-Pacific Partnership is approved in 2014, it will bring an estimated additional US$30-35 billion into Vietnam's GDP by 2025, though local enterprises will face challenges in respect of competitiveness compared to their regional peers. The banking and real estate sector are still struggling with NPLs, but a rebound in the real estate segment appears to be near as demand is starting to pick up. Last but not least, the Government is seeking to develop the stock market by considering increasing foreign ownership limits in selected industries.

The Investment Manager believes that the stock market will improve in line with Vietnam's macro-economy. In order to deploy the cash raised from the reduction in Vinamilk, the divestment of Beaubien and the redemption of VFMVF1, the Investment Manager plans to participate in IPOs, equitisations and private placements of companies with sound fundamentals, sustainable growth and good corporate governance. In addition, VEIL also plans to top up positions in existing holdings in targeted sectors. Last but not least, the Investment Manager will continue restructuring the portfolio to reduce concentration in the top holdings.

Vu Huu Dien
Investment Manager
Vietnam Enterprise Investments Limited
23 April 2014

TOP FIVE HOLDINGS
Vinamilk

Market Valuation	2013 Total Return*	% of Net Assets	Initial Acquisition
US$114,048,646	56.51%	24.08%	22 October 2003

* Source: Bloomberg (total return in US$ terms in respective index)

Vinamilk is the leading dairy manufacturer in Vietnam with an estimated 50% market share and a long history of over 20 years in dairy production. Eight years after having its shares listed, Vinamilk is now one of Vietnam's largest companies by market capitalisation (around US$5.6 billion). Vinamilk aims to become a top 50 global dairy company (presently in 53rd place) and achieve US$3 billion in revenue by 2017 through sustainable business development.

As a market leader, Vinamilk offers over 200 quality products in all major dairy segments including liquid milk, powdered milk, condensed milk, yogurt and other processed dairy products. Vinamilk enriches its product portfolio with innovative formulas and new products every year. In 2013, Vinamilk launched 21 new products to the domestic market.

Given its US$3 billion revenue target for 2017, Vinamilk aims to increase its market share in the two largest product segments, namely liquid milk and powdered milk to 60% and 40% market share respectively, up from the current levels of 48% and 28% respectively. To this end, Vinamilk has invested heavily in production capacity over the past few years. In 2013, Vinamilk inaugurated two state-of-the-art production facilities, one for the production of powdered milk which quadruples existing capacity and one for the production of liquid milk which doubles existing capacity.

Vinamilk takes pride in its well-established distribution network, which comprises both the modern trade channel (supermarkets) and the traditional channel (retailers) across the country. For the traditional channel, Vinamilk has set up 250 exclusive distributors that deliver products to more than 220,000 retailers, an increase in distribution coverage of 15% from 2012. In emerging consumer markets like Vietnam, being the first to penetrate the traditional distribution network provides a significant advantage over its competitors.

Over the past five years, Vinamilk has significantly increased its export revenue, with a compound annual growth rate (CAGR) of 39%. In order to keep this momentum, Vinamilk is preparing to expand exports to the US, European markets, and possibly Myanmar.

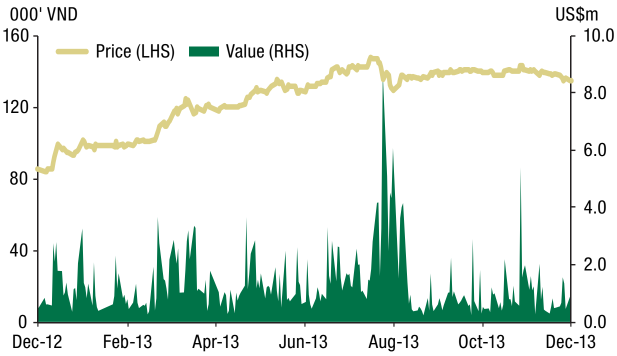
A slowdown in domestic consumption caused Vinamilk to temporarily grow at a slower pace. Vinamilk, as a result, registered revenue of US$1.5 billion which represented an increase of 17% in 2013 compared to 23% in 2012. All other dairy producers and F&B manufacturers in segments such as coffee or convenience goods experienced a similar slowdown of revenue. This does not change our view of the long-term growth potential of Vinamilk.

As a market leader, Vinamilk can import input materials (mainly skim milk powder) at preferential terms and prices compared to its competitors. Equally important, Vinamilk has the ability to pass a considerable proportion of input cost increases onto consumers. Vinamilk, therefore, has the most competitive gross margin levels. In 2013, Vinamilk registered a high gross margin of 36%, up from 34% in 2012, despite rising prices of imported skim milk powder. We expect the gross margin will normalise during 2014 as existing inventory is being used up, but Vinamilk will still be able to book a healthy gross margin of above 30% on a sustainable basis.

Competition intensified in 2013 in all dairy categories with all market players striving to defend and gain additional market share. Vinamilk increased its sales and marketing budget, causing selling expenses to rise by 40%. We expect selling expenses to be on the high side for 2014, but to come down from the 2013 level. Net margin is expected to narrow from 21% in 2013, possibly trending towards the normalised level of 15% in the long run.

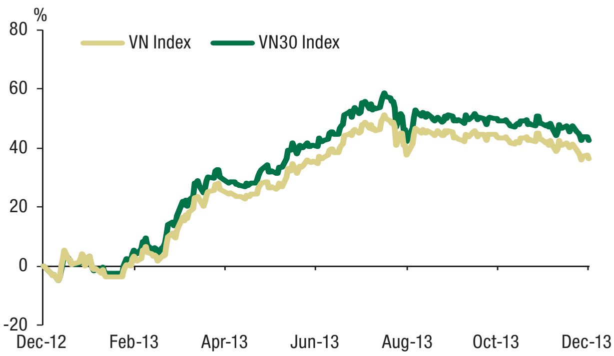
With a debt-free balance sheet and plenty of cash, to the tune of US$30 million at the end of 2013, Vinamilk is ready to invest further in production capacity, technology upgrades and business consolidation of smaller companies in the sector should there be any suitable opportunity. We believe in the consumption story of Vietnam, and that Vinamilk will continue to lead the dairy sector with double digit growth. At the current market price of VND140,000, Vinamilk is valued at forward PER of 19.8x, a discount to regional peers at 23x.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

TOP FIVE HOLDINGS
Masan Group

Market Valuation	2013 Total Return*	% of Net Assets	Initial Acquisition
US$61,598,526	-18.56%	13.01%	1 April 2010

* Blended return in US$ terms combining Masan Group's equity (Source: Bloomberg) and PN Holdings (please refer to Note 5 to the consolidated financial statements)

Masan Group is a leading private conglomerate in Vietnam active in F&B (Masan Consumer), financials (Techcombank) and resources (Nui Phao Mine). Given the country's favourable demographics, Masan Group's vision is to become the leading consumer group driven by strong growth potential in consumption. With a market capitalisation of US$3.4 billion, Masan Group is the third largest company on the HOSE.

Business strategy

Masan Group has revised its strategy from a diversified group into a consumer group. Business expansion in consumer will be fuelled by steady cash flows from the Nui Phao Mine which is now fully operational. Masan Group is expected to actively explore the divestment of Techcombank.

Established and operating in a country with 90 million people where 75% of the population is below 34 years of age, Masan Group views Vietnam as "the next destination in Asia" for consumer goods. Masan Group owns 77% of Masan Consumer which produces and distributes F&B products in four major categories, i.e. condiments (including fish sauce, chili sauce etc.), packaged food (instant noodles etc.), instant coffee and other beverages. Total addressable market of Masan Consumer was US$4.5 billion in 2013.

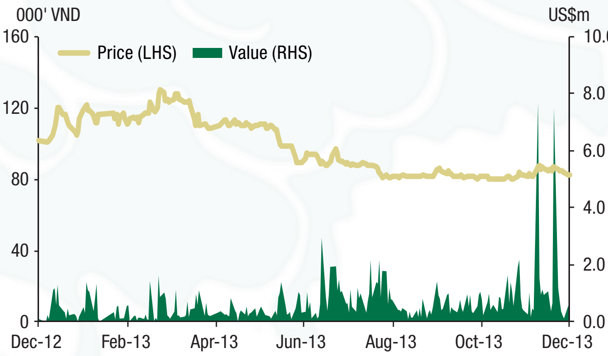
Masan develops its consumer business through both organic expansion and M&A transactions and is an excellent example for market consolidation in the consumer market of Vietnam. So far, Masan Group has acquired major stakes in Vinacafe (53.2%), and Vinh Hao Mineral Water (63.5%). After integrating these acquisitions into Masan Consumer, Vinacafe, for example, recorded a gross margin of 28% in 2012 and 30% in 2013, up from 25% in 2011. One of the goals of these acquisitions is to create synergies through efficiency improvements and cost savings. Masan Group will continue to target outstanding business results through organic growth as well as selectively consolidating smaller consumer players with attractive fundamentals.

During the recent corporate restructuring in 2013, Masan Group created Masan Consumer Ventures which will be sourcing and running the next potential growth drivers, including the existing affiliates.

Masan Consumer aims to realise growth by gaining additional market share in its different product categories. Aggressive investment in R&D together with strategic spending on marketing has helped Masan Consumer achieve 30% market share in instant noodles. Its Sagami noodles brand, launched in 2013, received positive market feedback and complements Masan Consumer's premium and value noodle brands, Omachi and Kokomi. Masan Consumer is heading towards the target of 40% market share in instant noodles. Also during 2013, Vinacafe successfully launched Phinn, a roast and ground coffee in instant packaging, and reformulated its Wakeup Saigon product, which will help Masan Consumer increase its market share in coffee from the current level of about 30%.

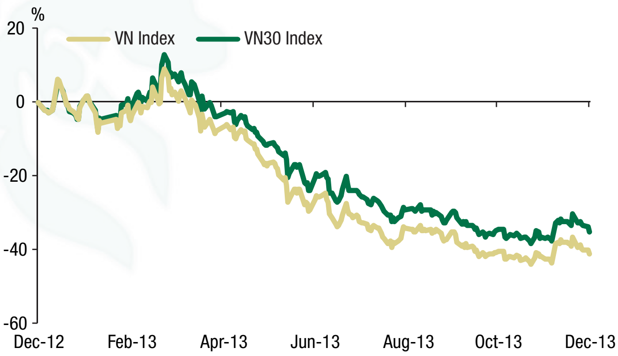
Brand loyalty is critical to the success of any consumer business. As compared to other prominent F&B companies in Vietnam like Vinamilk, Kinh Do, Vifon or Vissan, Masan Consumer has a relatively shorter business history. Nevertheless, Masan Consumer has intensively focused on building and enhancing its brand values. Vinacafe, Omachi and Vinh Hao are market-leading consumer brands in the local market. Chinsu, Masan Consumer's trademark condiment brand, was rated as the second most popular brand in Vietnam by Kantar Worldpanel in its ranking report in May 2013. The study mentioned that Chinsu was purchased by 93% of Vietnamese households on average.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

2013 business performance and outlook

Masan Group recorded VND11,943 billion in sales and VND451 billion in net profit attributed to shareholders for 2013, representing a 25% growth in the top-line but a contraction of 64% in the bottom-line. Masan Consumer's stronger performance in 2H 2013 contributed substantially to Masan Group's results. With Nui Phao Mine fully operational and Masan Consumer set to grow 33% in 2014, Masan Group aims to exceed US$1 billion revenue and achieve US$130 million in net profit in 2014.

Masan Consumer reported VND11,943 billion in net sales and VND3,096 billion in net profit attributed to shareholders in 2013, thereby achieving y/y growth of 15% and 12% respectively. Strong sales in the last quarter (21% y/y) contributed 37% to the full year revenue. This was thanks to new products in the convenience food and coffee category which were launched in the second and third quarter of 2013. However, compared to the average 4-year growth of 55% in sales and 67% in net profit, the growth pace has evidently come down, largely due to a drop in local consumption demand as a result of the economic slowdown.

2013 provided a good opportunity for Masan Group to focus on new product development in preparation for Vietnam's economic recovery and the pickup in consumer spending power. During the year, Masan Group invested heavily in R&D and new product ideas, boosting sales and marketing activities. Besides Sagami and Phinn coffee, Masan Consumer also successfully launched B'fast, a rice congee product targeting the affluent customer segment. The success of B'fast encouraged Masan Consumer to explore other rice-based packaged products to diversify its portfolio of convenience food which targets an estimated market of US$1 billion. The newly created Masan Beverages platform, which will manage Masan's instant coffee business (Vinacafe) and mineral water business (Vinh Hao Mineral Water), will also develop other beverage products, potentially including other ready-to-drink beverages. Masan Consumer is positive it will seize a proportionate market share in Vietnam's US$2.5 billion beverages market and expects the Masan Consumer business to grow 30% in 2014 in both the top- and bottom-line.

With a complicated corporate structure and a number of product lines, it is typically more challenging for the business to be efficient. In 2013, Masan Group, however, strategically targeted improved gross margin performance in all consumer business lines through input cost savings and various efficiency improvement initiatives. As a result, gross margin expansion was observed in instant noodles and coffee, the two major categories, and the gross margin of Masan Group overall improved from 41% to 42% during the year without any compromise on market share.

In 2013, Masan Resources largely focused on the commissioning of the Nui Phao project, aiming to build a world-class mine. Masan Resources successfully placed over US$14.4 million worth of products with customers in 2014 for the processing and production of value-added tungsten, bismuth, fluorspar and copper. Masan Resources also set up a joint venture with H.C. Starck, an international leader in tungsten processing. The joint venture will enable Masan Resources to access state-of-the-art technology for deep processing of tungsten. The project is expected to contribute US$60-80 million in net profit to Masan Group in 2014.

Techcombank, in which Masan Group holds a 33% stake, had another challenging year in 2013 when Vietnam's overall financial market struggled to recover from the economic slowdown. Like most banks in the country, Techcombank continued to focus on asset cleaning while cautiously growing its credit base. A tougher lending environment and a conservative provisioning practice resulted in Techcombank's net profit dropping to VND659billion, or 14% lower than in 2012. Techcombank's focus for 2014 will be to continue improving the balance sheet, asset quality and business efficiencies across functions rather than growing the business.

We are confident Masan Group will see a significantly improved business performance in 2014 with exciting news on the consumer side. Though Masan Group may look relatively overvalued to regional peers in 2014 (PER of 30x), it is heading towards a lower valuation (in the zone of PER of 20x) in 2015 and the years to come.

TOP FIVE HOLDINGS
ACB

Market Valuation	2013 Total Return*	% of Net Assets	Initial Acquisition
US$42,508,918	-2.65%	8.98%	1 December 1996

* Source: Bloomberg (total return in US$ terms in respective index)

In 2013, ACB made a fresh start after a difficult 2012. Mr. Tran Mong Hung, one of the co-founders, returned and Mr. Andrew Colin Vallis, a senior manager at Standard Chartered Bank, which is ACB's strategic investor with a 15% stake, joined the company to strengthen its management team.

The strengthened management team took decisive steps in 2013 to clean up activities and to re-focus on the core goal of developing ACB into the leading retail bank in Vietnam. As a result, ACB ceased all its gold activities and restored its balance sheet. ACB also thoroughly reviewed its traditional business of commercial lending and developed a detailed plan to clean up past troubles. Further, the board of directors confirmed that the new strategy will be to 1) simplify its operations, 2) refresh its public image by means of renovation of its branches, and 3) offer more financial products targeting the middle to lower-income customers. Last but not least, ACB added a Chief Information Officer position which was filled with an experienced hire from HSBC with the goal to improve its technology platform which is a key factor in retail banking.

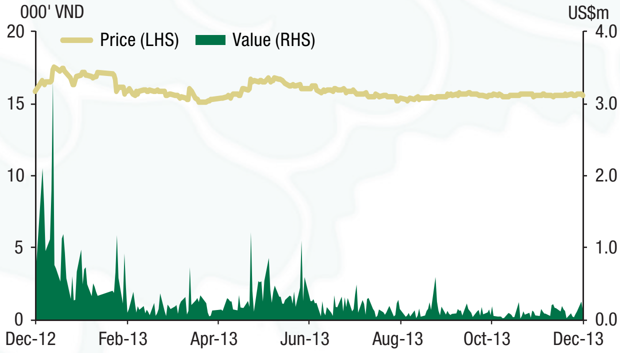
Earnings results in 2013 reflected that it was a year of transition. As a result, assets declined and net profit posted only a modest gain. However, investors accepted the mediocre results as they welcomed the efforts of ACB to tackle the challenges and to make the needed painful decisions to set itself on the right track. Given that the Vietnamese banking sector is still at an early stage of development and that ACB has made significant changes ahead of most of its competitors, ACB is well positioned for sustainable and accelerated growth.

In 2013, assets declined by 5.4%, driven by a reduction in interbank lending which went down by 67% y/y while customer loans grew 4.3% y/y. By the end of 2013, total assets amounted to US$8 billion, the fifth largest among Vietnamese banks after the four state-owned commercial banks, namely Agribank, Vietinbank, BIDV and Vietcombank. The breakdown of assets normalised with customer loans now accounting for 63% and interbank loans for just 4%, compared to 57% and 13% in 2012, respectively. The NPL ratio was reported at 3.0% but could possibly increase up to 6% if some of the bad loans made to Mr. Nguyen Duc Kien, co-founder of ACB, are classified as NPL. Even at a NPL ratio of 6%, the NPL ratio of ACB is still significantly below the actual NPL level of the whole Vietnamese banking system. On the funding side of the balance sheet, customers came back and deposits grew by 10% y/y to reach a similar level prior to the arrest of Mr. Nguyen Duc Kien in August 2012.

In line with the industry trend, the net interest margin retreated from 3.6% in 2012 to 2.8% in 2013, reflecting difficult business conditions in which banks have had to lower lending rates to attract quality good-credit borrowers. As a result, net interest income reduced by 36% y/y. However, on the positive side, unlike in 2012, ACB did not suffer from any substantial losses from closing its gold positions in 2013. Net operating revenue reduced by 3% y/y, but an effective cost optimisation programme helped to increase net profit in 2013 by 5% to US$39 million.

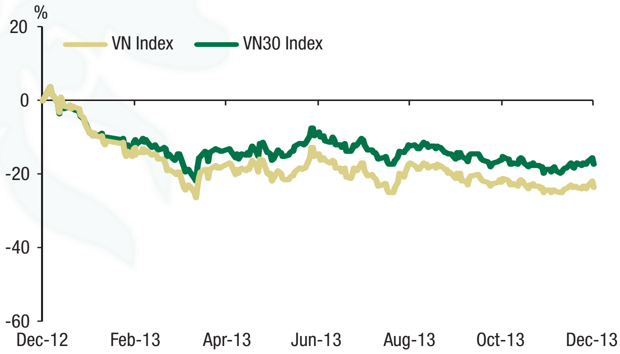
We are confident 2013 was the bottom of the business cycle for Vietnam's economy in general and for ACB in particular. The outlook for 2014 is generally positive in respect of business activities, but the resolving of NPLs will last well into 2015. In 2014, credit growth is expected to come in at around 12%, net interest margin (NIM) should pick up to 2.9% and provisions for bad loans will increase by 17%. All in all, net profit is forecast to grow by 11% to US$4 million. At the price of VND15,600/share at the end of 2013, the stock is trading at 2014 PER and PBR of 15.6x and 1.0x, respectively.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

TOP FIVE HOLDINGS

REE

Market Valuation	2013 Total Return*	% of Net Assets	Initial Acquisition
US$40,886,721	89.16%	8.63%	1 July 1996

* Source: Bloomberg (total return in US$ terms in respective index)

REE is one of the largest and best known M&E contractors in Vietnam with a sound track record of more than 30 years and a market share of around 10% nationwide. REE started assembling and distributing its own air-conditioning systems under the "ReeTech" brand in 2002 to leverage its existing M&E client base. When these two traditional businesses began stagnating, REE used its available and cheap land bank to move into the property sector creating the highly successful grade B "E-Town" office rental park. Despite the recent property market downturn, E-Town continues to have a remarkable occupancy rate of nearly 98%. When its cheap land bank was exhausted, REE expanded into utilities, particularly power, coal and water with excellent results, enjoying an increase of 65% in the value of its utilities investments last year.

In 2013, revenue was flat while net profit grew by +59.3% y/y. This represented 150.1% of its full year target and was achieved thanks to a significant increase in income from investments, which accounted for 39.4% of profit before tax. Excluding currency gains from a weakened Yen from Pha Lai Power ("PPC"), the biggest investment of REE thus far, net profit was up by 28% y/y. REE's investments continued to exert considerable positive influence on its bottom line, driven by healthy profits booked from these investments, especially in electricity companies which accounted for 60% of the total investment portfolio. Property leasing, given the long wait for recovery in the property market, delivered sales growth of +8.8% y/y and net profit after tax ("NPAT") growth of +14.1%, even though average leasing rates dropped by -0.9% y/y. Earnings before interest and taxes dropped by 2.8% y/y as the profit margin in M&E was squeezed. M&E and ReeTech, which accounted for 81% of total sales and 15% of total NPAT, grew sales by 0.1% and NPAT by 4.3% y/y.

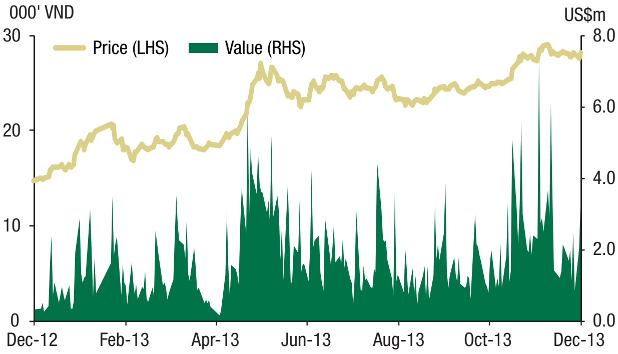
In 2014, we expect total revenue to increase slightly and non-currency income from investments and operating earnings from its three traditional businesses to remain stable. This implies that, excluding currency effects from PPC which accounted for 18% of REE's profit in 2013, its core profit is forecast to improve in 2014. But, if currency effects are included, the bottom line is expected to drop by 17%.

REE has healthy cash reserves and its utilities-focused financial assets account for 0.5x of assets and 0.7x of shareholder's equity. The combined book is carried at US$175.4 million which is fully provisioned. The portfolio's present sector allocation comprises 68.7% in power/coal, 18.7% in clean water supply and 10.2% in real estate which is declining. REE will continue its strategy of liquidating non-core and short-term investments which raises the possibility for some additional financial profit. With a return on equity ("ROE") of 20% and a very low-debt capital structure, with only 6% interest bearing debt on equity, REE has room to further improve by using more leverage.

Over the past three years, the stock market decline allowed REE to pursue its expansion into infrastructure by buying into listed utilities firms at low valuations. Its strategy is to acquire ownership of at least 20% in four listed power firms and to increase its stake to above 50% where possible. REE has holdings of more than 30% in two hydropower plants with a total capacity of 270 megawatts and two thermal power plants with total capacity of 1,140 megawatts. In the water sector, REE has 42.1% and 40.0% in BOO Thu Duc and Sawaco, each with a capacity of 300,000 cubic metres per day in Ho Chi Minh City. In coal, REE owns 23.6% and 24.0% in two coal mining companies with a total annual output of 6 million tons of coal per year.

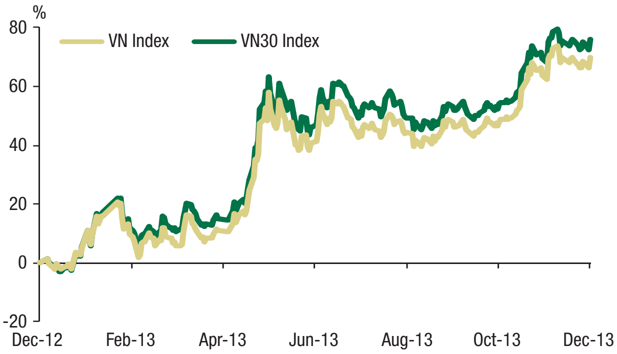
REE might not excite short-term investors with its utilities strategy which is long-term and yield-focused, but it is no doubt a valuable holding for any portfolio with a long focus. First, REE currently offers a bargain with a valuation at 10.6x PER on 2014's earning compared to Vietnam's top 50 at 13.0x, a price-to-book of 1.5x vs. top 50 at 2.3x and a sound cash dividend yield of 4.9%. Second, REE's traditional businesses - M&E, ReeTech and office lease in E-town - continue providing steady cash flows and earnings, despite harsh competition, thanks to efficient management. Third, management adheres to one of the highest standards of corporate governance in Vietnam. Last but not least, REE's investments in power, water and coal companies stand to benefit from the Governments' roadmap to introduce a free market for output prices in the future.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

TOP FIVE HOLDINGS

Hoa Phat Group

Market Valuation	2013 Total Return*	% of Net Assets	Initial Acquisition
US$37,823,883	99.62%	7.99%	19 June 2009

* Source: Bloomberg (total return in US$ terms in respective index)

Hoa Phat Group is one of the leading industrial conglomerates in Vietnam. It engages in a number of businesses from furniture, construction steel to property development. Nevertheless, Hoa Phat Group has always mainly focused on the steel segment and in fact Hoa Phat Group is regarded as the leading steel maker in Vietnam, with a market share of over 15% in construction steel. Thanks to its fully-integrated production from iron ore to finished rebar, Hoa Phat Group is known as the best in the industry in terms of cost control. It is currently capable of self-supplying up to 70% of iron ore at relatively low costs, and also 40% of electricity through its in-house power plant utilising coke oven gas.

In 2013, earnings increased by 97% to VND1,954 billion, exceeding its profit target by 57%. While revenue only increased 13% y/y to VND18,934 billion, net margin improved significantly to 10.3% in 2013 from only 5.9% in 2012, thanks to a combination of factors, namely falling prices of raw materials, lower interest burden and exceptional profits from financial divestment and provision reversal. Revenue did not see much growth due to the 4% drop in average selling price of construction steel in 2013.

The steel business saw profit growth of 106% y/y from a very low base in 2012, and accounted for 75% of total revenue and 67% of total profit in 2013. The margin of the segment improved significantly to 12.7% from only 6.7% in the previous year, due to significantly lower raw material prices (inputs such as coal and iron ore declined approx. 15% in 2013). Sales volume of construction steel grew 14% y/y to 699,000 tons. As the steel sector continues to consolidate, Hoa Phat Group's market share has risen steadily to 15.2% by the end of 2013, from 13.7% a year earlier.

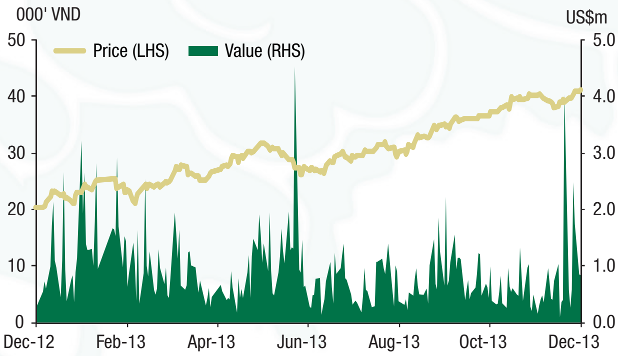
Thanks to lower interest rates, financial expenses fell 11% y/y to VND520 billion as Hoa Phat Group was able to borrow at lending rates of 7-8% compared to over 12% in the previous year. On the other hand, financial income was boosted by an exceptional gain of VND100 billion as Hoa Phat Group successfully divested from a subsidiary that engages in mineral exploitation. Profit was further improved by much lower SGA expenses (-22% y/y), in which a provision reversal of VND160 billion (the provision was made for potential loss from one of the business transactions in 2012) was booked.

In 2013, Hoa Phat Group started recording a much higher contribution from its real estate business segment. Overall, the sale of the Mandarin Garden residential project is expected to generate an estimated total of VND5 trillion in revenue and approx. VND500 billion in net profit. In Q4 2013, about 30% of this amount was booked with the remaining reserved for 2014. This resulted in revenue of VND1,433 billion, more than double the 2012 number. As for other business segments, most recovered from the bottom in 2012. Revenue from the energy and mining business segment was reported at VND3,395 billion (+4% y/y) and accounted for 12% of total revenue. Furniture sales increased 2% y/y to VND1,395 billion and accounted for 5% of total revenue.

Looking forward, the earnings outlook is very positive supported by the recovery of the construction steel segment which was seriously hurt in the past three years as real estate and construction suffered. Hoa Phat Group will benefit from capacity expansion of the integrated steel complex which started operation in October 2013 and raised total capacity to 1,150,000 tons from 650,000 tons previously. With its cost leadership strategy, Hoa Phat Group will steadily gain market share from smaller players as the sector consolidates. In 2014, it is expected to sell over 913,000 tons of construction steel (+30% growth in sales volume). Furthermore, the remaining sale of Mandarin Garden will add approx. VND3,500 billion to total revenue and VND350 billion to the bottom line. Consequently, 2014 revenue and net profit are forecast to reach VND25,535 billion (+35% y/y) and VND2,384 billion (+22% y/y), respectively. Net margin will decline somewhat as Hoa Phat Group will not record exceptional gains from financial income or provision reversals as in 2013.

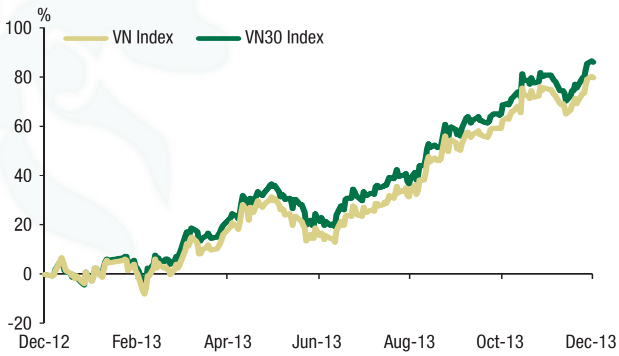
At the current price of VND51,000 per share, Hoa Phat Group is trading at FY2014 PER of 9.0x. This is an attractive valuation compared to the market PER of 13x. While the regional and local peers are struggling to make any profit, Hoa Phat Group continues to deliver ROEs above 20%. Over the long term, Hoa Phat Group will continue to do well given the on-going urbanisation process in Vietnam.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

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 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 semi-annually and additional meetings are arranged as necessary. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities. Directors may take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary 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 two independent non-executive Directors, all of whom are independent of the Company's Investment Manager, including the Chairman, one non-independent non-executive Director and one non-independent Director appointed by the Investment Manager. The independent non-executive Directors and the non-independent non-executive Director 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 50. 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 and non-independent non-executive Directors are initially appointed until the following annual general meeting ("AGM") when, under the Company's Memorandum and Articles of Association (the "Articles"), 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 this.

The Board does not believe that length of service 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 audit and valuation issues, the Company has appointed an Audit Committee for these purposes. To deal with the appointment and remuneration of directors as well as with conflicts and compliance issues, the Company has appointed a Governance, Nomination and Remuneration Committee. The Investment Manager routinely reports to these Committees. As at the year end, there were no issues of substance.

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 results achieved to date. The Directors believe that the Investment 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 and Custodian.

Risk Management and Internal Control

The key risks facing the Company are disclosed in Note 17 to the consolidated 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 with 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 in achieving 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 once a year by way of the annual report. This is supplemented by weekly and monthly 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 AGM. Shareholders wishing to raise questions in advance of the meeting are encouraged to write to the Company Administrator at the address shown on page 49.

Environmental, Social and Governance

Dragon Capital Group ("DCG") regards sustainable development as a fundamental aspect of sound business management and seeks to build shareholder value by taking advantage of Environmental, Social and Governance ("ESG") market opportunities. DCG's mission has always been to develop investment strategies that provide long-term returns exceeding the national growth rate, while at the same time incorporating a high regard for sustainable principles which align with the interest of the country and our 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 DCG is currently invested or considering investment

Since 2002, DCG has incorporated a Social and Environmental Management System ("SEMS") into its investment processes across asset classes. SEMS was established under the guidelines of the IFC and its aim is to promote improved ESG performance. It is the foundation on which DCG manages its own risks, and raises awareness on ESG issues with investees.

In 2012, DCG implemented a carefully thought-out approach to Corporate Social Responsibility ("CSR"). We focus on four strategic pillars: economic development, the environment, corporate governance and society. DCG's CSR practice is built on its core investment competencies and supports its commitment to sustainable development. In addition to its SEMS and CSR initiatives, DCG operates within a set of robust ethical policies. These policies derive from our business mission, which provides a clear framework for our employees to maintain the high standards our clients expect of us.

Responsible Investment is an ongoing process. Once implemented, it is important for us to monitor and review ESG policies. We regularly upgrade our ESG risk management systems, and evaluate whether our investments have conformed to our ESG objectives and met our stakeholders' expectation.

In 2013, DCG embarked on a redesign and upgrading of its SEMS. This was intended to bring the DCG in line with the IFC's 2012 norms for standards and practices that can reasonably be expected of an institution like DCG in regards to the non-financial aspects of investment. DCG retained a qualified independent consultant to conduct a thorough SEMS review of portfolio investments. This assigned a risk rating to investee companies and projects, identified areas where the SEMS could be updated for better environmental and social risk management, and established resourcing needs for implementation. This has ensured that DCG's standards are up to speed with international practices.

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

20 November 2013

Ordinary resolutions
1. Adoption of financial statements;
2. Re-appointment of auditors;
3. Re-election of Wolfgang Bertelsmeier as a Director of the Company;
4. Re-election of Derek Eu-Tse Loh as a Director of the Company;
5. Re-election of Farida Khambata as a Director of the Company; and
6. Re-election of Dominic Scriven as a Director of the Company;

Special resolutions

7. Amendment of Article 2 of the Company's Article of Association; and
8. Amendment of Article 5 of the Company's Article of Association;

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

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company present their report and the audited consolidated financial statements of the Company and its subsidiaries and joint operation (together referred to as the "Group") for the year ended 31 December 2013.

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 2013 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 2013 (2012: 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 10 to the consolidated financial statements. The Company had 154,294,023 redeemable shares and 1,000 management shares outstanding as at 31 December 2013 (31 December 2012: 168,487,420 redeemable shares and 1,000 management shares).

Directors

The Directors of the Company during the year were:

Non-executive Directors:
Dominic Scriven
Farida Khambata

Independent non-executive Directors:
Derek Eu-Tse Loh
Hartmut Giesecke (did not stand for re-election at AGM on 20 November 2013)
Wolfgang Bertelsmeier

In accordance with article 91 of the Articles, the independent non-executive Directors are required to submit themselves for re-election at the next occurring AGM. Farida Khambata , Derek Eu-Tse Loh and Wolfgang Bertelsmeier were duly re-appointed at the AGM held on 20 November 2013 following the expiry of their respective term. Hartmut Giesecke decided to stand down after the AGM on 20 November 2013. Dominic Scriven also submitted himself for re-election, even though the Articles did not explicitly require him to stand for election, and was duly re-appointed.

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 has indirect interests in the share capital of the Company as he is a shareholder of Dragon Capital Group Limited, which is the parent company of Dragon Capital 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 2013, Dragon Capital Markets Limited beneficially held 2,424,776 redeemable shares of the Company for investment and proprietary trading purposes (2012: 2,381,407 redeemable shares).

Apart from the above, no other 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 has indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited as he was a director of Enterprise Investment Management Limited during the year. There were no further contracts of significance in relation to the Company's business in which a Director of the Company had a material interest, whether directly or indirectly, at the end of the year or at any time during the year.

Substantial Shareholders

At 31 December 2013, 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 shareholders	Number of redeemable shares held	% of total redeemable shares in issue
Citivic Nominees Limited	128,217,004	73.76
Clearstream Banking S.A.	45,595,995	26.23

Subsequent Events

Details of the significant subsequent events of the Group are set out in Note 19 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 2013 and of its consolidated financial performance and consolidated 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 ("IFRSs") 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.

Approval of the Consolidated Financial Statements

The Board of Directors 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 2013, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the year then ended in accordance with IFRSs.

By Order of the Board

Dominic Scriven, OBE
Director
Vietnam Enterprise Investments Limited
23 April 2014

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115 Nguyen Hue Street
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The Socialist Republic of Vietnam

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
Vietnam Enterprise Investments Limited

We have audited the accompanying consolidated financial statements of Vietnam Enterprise Investments Limited ("the Company") and its subsidiaries and jointly controlled entity (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, 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 judgment, 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 Directors, as well as evaluating the overall presentation of the consolidated 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 2013, 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

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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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	31 December 2013 US$	31 December 2012 US$	% Change
CURRENT ASSETS				
Financial assets at fair value through profit or loss	7	441,220,340	394,051,818	
Other receivables		680,192	72,117	
Balances due from brokers	8	1,788,564	-	
Cash and cash equivalents	9	34,809,633	9,073,775	
		478,498,729	403,197,710	18.68
CURRENT LIABILITIES				
Accounts payable and accruals	10	4,096,075	807,392	
Balances due to brokers	8	865,105	838,710	
		4,961,180	1,646,102	201.39
NET ASSETS		**473,537,549**	**401,551,608**	**17.93**
EQUITY				
Issued share capital	11	1,542,950	1,684,884	
Share premium	11	315,985,235	347,835,682	
Retained earnings		156,009,364	52,031,042	
TOTAL EQUITY		**473,537,549**	**401,551,608**	**17.93**
NUMBER OF REDEEMABLE SHARES IN ISSUE	**11**	**154,294,023**	**168,487,420**	
NET ASSET VALUE PER REDEEMABLE SHARE	**12**	**3.07**	**2.38**	**28.99**

Approved by the Board of Directors on 23 April 2014.

Dominic Scriven, OBE
Director
Vietnam Enterprise Investments Limited
23 April 2014

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	2013 US$	2012 US$
INCOME			
Bank interest income		75,802	138,623
Bond and loan interest income		-	47,368
Dividend income		17,029,889	18,103,275
Net changes in fair value of financial assets at fair value through profit or loss		57,709,045	69,989,012
Gains/(losses) on disposals of investments		39,486,112	(10,101,447)
Other income		365,342	439,347
TOTAL INCOME		**114,666,190**	**78,616,178**
EXPENSES			
Administration fees	13	(426,045)	(362,696)
Custodian fees	13	(254,061)	(245,167)
Directors' fees	13	(135,075)	(92,667)
Management fees	13	(9,359,296)	(7,872,265)
Withholding taxes		(3,492)	(15,592)
Legal and professional fee expenses		(218,042)	(189,932)
Other operating expenses		(187,610)	(560,570)
TOTAL EXPENSES		**(10,583,621)**	**(9,338,889)**
NET PROFIT BEFORE EXCHANGE GAINS		**104,082,569**	**69,277,289**
EXCHANGE (LOSSES)/GAINS			
Net foreign exchange (losses)/gains		(104,247)	65,230
PROFIT BEFORE TAX		**103,978,322**	**69,342,519**
Income tax	14	-	-
NET PROFIT AFTER TAX FOR THE YEAR		**103,978,322**	**69,342,519**
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**103,978,322**	**69,342,519**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO THE REDEEMABLE SHAREHOLDERS		**103,978,322**	**69,342,519**
BASIC EARNINGS PER REDEEMABLE SHARE	**15**	**0.64**	**0.40**

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Issued share capital US$	Share premium US$	(Accumulated losses)/ retained earnings US$	Total US$
Balance at 1 January 2012	**1,681,117**	**345,762,725**	**(17,311,477)**	**330,132,365**
Total comprehensive income for the year:				
Net profit for the year	-	-	69,342,519	69,342,519
Transactions with shareholders, recognised directly in equity:				
Repurchase of redeemable shares	(53,356)	(9,661,913)	-	(9,715,269)
Repurchase of treasury shares	57,123	11,734,870		11,791,993
Balance at 1 January 2013	**1,684,884**	**347,835,682**	**52,031,042**	**401,551,608**
Total comprehensive income for the year:				
Net profit for the year	-	-	103,978,322	103,978,322
Transactions with shareholders, recognised directly in equity:				
Repurchase of redeemable shares	(141,934)	(31,850,447)	-	(31,992,381)
Balance at 31 December 2013	**1,542,950**	**315,985,235**	**156,009,364**	**473,537,549**

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

	Note	2013	2012
		US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		103,978,322	69,342,519
Adjustments for:			
Bank interest income		(75,802)	(138,623)
Bond and loan interest income		-	(47,368)
Dividend income		(17,029,889)	(18,103,275)
Net changes in fair value of financial assets at fair value through profit or loss		(57,709,045)	(69,989,012)
(Gains)/losses on disposals of investments		(39,486,112)	10,101,447
Dividend receivable written off		-	377,762
		(10,322,526)	(8,456,550)
Change in other receivables and balances due from brokers		(1,716,457)	407,588
Change in balances due to brokers and accounts payable and accruals		850,078	(3,093,120)
		(11,188,905)	(11,142,082)
Proceeds from disposals of investments		84,462,334	47,999,499
Purchases of investments		(34,435,699)	(56,867,990)
Bank interest income received		71,464	138,623
Bond and loan interest income received		-	70,983
Dividends received		16,354,045	18,158,735
Net cash generated from/(used in) from operating activities		**55,263,239**	**(1,642,232)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for repurchase of redeemable shares		(29,527,381)	(9,715,269)
Proceeds from reissuance of treasury shares		-	11,791,993
Net cash (used in)/generated from financing activities		**(29,527,381)**	**2,076,724**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**25,735,858**	**434,492**
Cash and cash equivalents at the beginning of the year		9,073,775	8,639,283
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**8**	**34,809,633**	**9,073,775**

	2013	2012
	US$	US$
NON-CASH FINANCING ACTIVITIES		
Repurchase of redeemable shares has not been paid	2,465,000	-

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

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

1. The Company

The Company is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands on 20 April 1995. It commenced operations on 11 August 1995, the date on which the initial subscription proceeds were received.

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 the AGM held on 5 October 2012, a special resolution to wind up the Company ("Wind Up Resolution") on 31 December 2014 was put to the meeting but was not passed. At the same AGM, a special resolution was passed to amend the Articles to lengthen the interval between the Wind Up Resolutions as required by the Articles from two yearly periods to five yearly periods. Therefore, the next Wind Up Resolution will be put to shareholders at the AGM in 2017 to wind up the Company effective 31 December 2019.

The audited consolidated financial statements of the Group as at and for the year ended 31 December 2013 comprise the financial statements of the Company and its subsidiaries and joint operation. As at 31 December 2013 and 2012, the Group had no employees.

As at 31 December 2013 and 2012, the Company had the following investments in subsidiaries and joint operation, for the purpose of investment holding:

Subsidiaries and joint operation	Country of Incorporation	Principal activities	% ownership
Grinling International Limited	British Virgin Islands	Investment holding	100%
Wareham Group Limited	British Virgin Islands	Investment holding	100%
Goldchurch Limited	British Virgin Islands	Investment holding	100%
VEIL Holdings Limited	British Virgin Islands	Investment holding	100%
Venner Group Limited	British Virgin Islands	Investment holding	100%
Dragon Financial Holdings Limited	British Virgin Islands	Investment holding	90%
Rickmansworth Limited	British Virgin Islands	Investment holding	100%
Geffen Limited	British Virgin Islands	Investment holding	100%
VEIL Cement Limited	British Virgin Islands	Investment holding	100%
VEIL Estates Limited	British Virgin Islands	Investment holding	100%
VEIL Industries Limited	British Virgin Islands	Investment holding	100%
VEIL Infrastructure Limited	British Virgin Islands	Investment holding	100%
VEIL Paper Limited	British Virgin Islands	Investment holding	100%

2. Basis of Preparation

(a) Statement of compliance
The Group's consolidated financial statements as at and for the year ended 31 December 2013 have been prepared in accordance with IFRSs.

The consolidated financial statements were authorised for issue by the Board of Directors on 23 April 2014.

(b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis, except for investment 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 value are described in Note 4(c).

(c) Functional and presentation currency
The consolidated financial statements are presented in US$, which is the Company's functional currency.

2. Basis of Preparation (Continued)

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under 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 may 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 judgments to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each reporting date.

3. Changes in Accounting Policies

Except for the changes below, the Company has consistently applied the accounting policies as set out in Note 4 to all periods presented in these consolidated financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 *Consolidated Financial Statements* (2011);
- IFRS 11 *Joint Arrangements*; and
- IFRS 13 *Fair Value Measurement*

The nature and the effect of the changes are explained below.

(a) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Group reassessed the control conclusion for its investees at 1 January 2013. The change in accounting policy did not have any impact on the Group's consolidation because the Group has not held any significant voting rights of any other investees apart from those which are currently consolidated as at 31 December 2013.

(c) Joint arrangements

As a result of IFRS 11, the Group has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operation or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Group has re-evaluated its involvement in its only joint arrangement and has reclassified the investment from jointly controlled entity to joint operation. Notwithstanding the reclassification, there has been no impact on the recognised assets, liabilities and comprehensive income of the Group.

(c) Fair value measurement
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*. As a result, the Group has included additional disclosures in this regard (see Note 5).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

4. Summary of Significant Accounting Policies

Except the changes disclosure in Note 3, 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 joint operation.

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Joint operation
Joint operation is a joint arrangement whereby the Group has joint control and rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognises its share of assets, liabilities and transactions in respect of its interests in the joint operation in its consolidated statement of financial position and in the statement of profit or loss and other comprehensive income.

(b) Foreign currency translation
Transactions in foreign currencies are translated into the respective functional currency of the 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.

Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange gain or loss, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain or loss from financial instruments at fair value through 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 assets expires or are transferred and substantially all of the risks and rewards of ownership of the financial assets have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exits, 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 equivalents, financial assets at fair value through profit or loss, other receivables and balances due from brokers.

4. Summary of Significant Accounting Policies (Continued)

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

Where no quotes or insufficient quotes are available, the Board of Directors will decide the appropriate method(s) for the estimation of fair value of the relevant asset(s). The Board of Directors 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 Group's cash management.

Other receivables and balances due from brokers
Other 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. The Group's most other receivables fall into this category of financial instruments.

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

(d) Financial liabilities
The Group's financial liabilities include accounts payable and accruals 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, 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 repurchased 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 the amount 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) Basic 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 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 2013 and 2012.

NAV per share is calculated by dividing the NAV attributable to the 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 redeemable shares have been repurchased, NAV per share is calculated based on the assumption that those repurchased redeemable shares have been cancelled.

4. 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 parent company of the Investment Manager, or entities of Dragon Capital Group Limited 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 effective for periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the measurement of the amounts recognised in the financial statements of the Company, except for IFRS 9 *Financial Instruments*, amendments to International Accounting Standards ("IAS") 32 *Offsetting Financial Assets and Financial Liabilities*. The Group does not intend to early adopt these standards and the extent of the impact has not yet been determined.

(i) IFRS 9 *Financial Instruments*

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. The International Accounting Standards Board ("IASB") currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2009) requirements 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*. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. Dividends on such investments, however, are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, early application of IFRS 9 is permitted.

The standard is not expected to have an impact on the measurement basis of the financial assets since the majority of the Company's financial assets are measured at fair value through profit or loss.

(ii) Amendments to IAS 32 on offsetting financial assets and financial liabilities
Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. The Company does not plan to adopt this standard early.

Based on our initial assessment, the Company is not expecting a significant impact from the adoption of the amendments to IAS 32.

5. Determination of Fair Value

Valuation models

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or broker price quotations.

For all other financial instruments, the Group determines fair values using other valuation techniques. Management uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each consolidated statement of finance position date. Investments in investment funds classified as financial assets at fair value through profit or loss are recorded at the NAV per share as reported by the administrator of such funds when the NAVs of the investment funds are calculated in a manner consistent with IFRS.

In accordance with IFRS 13, the Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement

Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly; and

Level 3 inputs: Unobservable inputs for the asset or liability

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined with reference to the observability and significance of the inputs used in the valuation technique. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position. All fair value measurements below are recurring.

31 December 2013	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets at fair value through profit or loss	439,645,830	1,574,510	-	441,220,340
31 December 2012				
Financial assets at fair value through profit or loss	316,481,488	5,677,824	71,892,506	394,051,818

5. Determination of Fair Value (Continued)

The following table presents the movements in level 3 instruments for the year ended 31 December 2013 and 2012 by class of financial instruments.

	2013	2012
	US$	US$
Opening balance	71,892,506	76,951,152
Sales	(5,234,274)	(7,335,114)
Purchases	2,579	42,802
Transferred to Level 1	(53,569,363)	-
Transferred to Level 2	(1,574,510)	-
(Losses)/gains recognised in profit and loss	(11,516,938)	2,233,666
Closing balance	-	71,892,506
Total (losses)/gains for the year included in net changes in fair value of financial assets at fair value through profit or loss	**(11,516,938)**	**2,233,666**

These gains and losses are recognised in profit or loss as net gain from financial instruments at fair value through profit or loss.

Financial instruments not measured at fair value through profit or loss

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

31 December 2013	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
Financial assets				
Other receivables	-	680,192	-	680,192
Balance due from brokers	-	1,788,564	-	1,788,564
Cash and cash equivalents	-	34,809,633	-	34,809,633
	-	37,278,389	-	37,278,389
Financial liabilities				
Accounts payable and accruals	-	4,096,075	-	4,096,075
Balances due to brokers	-	865,105	-	865,105
	-	4,961,180	-	4,961,180

6. Transactions with Related Parties

Dominic Scriven has indirect interests in the share capital of the Company as he is a shareholder of Dragon Capital Group Limited, which is the parent company of Dragon Capital 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 2013, Dragon Capital Markets Limited beneficially held 2,424,776 redeemable shares of the Company for investment and proprietary trading purposes (31 December 2012: 2,381,407 redeemable shares).

During the year, the Directors, with the exception of Dominic Scriven, earned US$135,075 (2012: US$92,667) for their participation on the Board of Directors of the Company.

Apart from the above, no other Director 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.

7. Financial Assets at Fair Value through Profit or Loss

	31 December 2013	31 December 2012
	US$	US$
Listed investments:		
Investments, at cost	257,323,197	230,472,391
Unrealised gains	175,294,380	86,009,097
At fair value	**432,617,577**	**316,481,488**
Unlisted investments:		
Investments, at cost	11,250,984	48,642,313
Unrealised (losses)/gains	(2,648,221)	28,928,017
At fair value	**8,602,763**	**77,570,330**
Total investments at fair value	**441,220,340**	**394,051,818**

As at 31 December 2013, the Group held the following listed and unlisted investments:

Listed investments	Sector	Fair value	NAV
		US$	%
Overseas listed equities			
Besra	Materials & Resources	427,996	0.09
		427,996	0.09
Vietnam listed equities			
Vinamilk	Food & Beverage	114,048,646	24.08
Masan Group	Diversified Financials	61,598,526	13.01
ACB	Banks	42,508,918	8.98
REE	Real Estate	40,886,721	8.63
Hoa Phat Group	Materials & Resources	37,823,883	7.99
Hoang Anh Gia Lai	Real Estate	23,792,554	5.02
SSI	Diversified Financials	22,281,842	4.71
Phu My Fertilizer	Materials & Resources	21,762,183	4.60
FPT	Software & Services	20,567,196	4.34
Hau Giang Pharma	Pharmaceuticals	13,867,272	2.93
Phu Nhuan Jewelry	Consumer Durables	10,244,483	2.16
Military Bank	Banks	6,765,975	1.43
BCCI	Real Estate	5,093,125	1.08
Sudico	Real Estate	4,541,016	0.96
Khang Dien House	Real Estate	3,282,445	0.69
Vietcombank	Banks	2,504,686	0.53
PVSC	Energy	620,110	0.13
		432,189,581	91.27
Total listed investments at fair value		**432,617,577**	**91.36**

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

Unlisted investments	Sector	Fair value US$	NAV %
Vietnam OTC equities			
Hoang Anh Rubber	Materials & Resources	5,543,710	1.17
VFMVF1	Funds	1,484,543	0.31
		7,028,253	1.48
Private equities			
VFMVF2	Funds	1,574,510	0.34
		1,574,510	0.34
Total unlisted investments at fair value		**8,602,763**	**1.82**

The Group's interests in the following investments are wholly or partially held through its 100% equity interests in 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.

Issuers:	Held by:
ACB	Dragon Financial Holdings Limited
BCCI	Wareham Group Limited
FPT	Grinling International Limited
	Wareham Group Limited
Hau Giang Pharma	Grinling International Limited
Hoa Phat Group	Grinling International Limited
	Wareham Group Limited
Hoang Anh Gia Lai	Grinling International Limited
	VEIL Holdings Limited
	Wareham Group Limited
Hoang Anh Rubber	Grinling International Limited
	Wareham Group Limited
Khang Dien House	Grinling International Limited
	Wareham Group Limited
Military Bank	VEIL Holdings Limited
	Wareham Group Limited
Phu My Fertilizer	Venner Group Limited
	Grinling International Limited
	Wareham Group Limited
Phu Nhuan Jewelry	Venner Group Limited
	Wareham Group Limited
PVSC	Wareham Group Limited
REE	Venner Group Limited
	VEIL Holdings Limited
	Wareham Group Limited
SSI	Venner Group Limited
	VEIL Holdings Limited
	Wareham Group Limited
Sudico	Grinling International Limited
	Venner Group Limited
	VEIL Holdings Limited
	Wareham Group Limited
VFMVF2	Grinling International Limited
Vinamilk	Grinling International Limited
Vietcombank	Grinling International Limited

8. Balances Due from/to Brokers

	31 December 2013 US$	31 December 2012 US$
Balances due from brokers		
Sales transactions awaiting settlement	1,788,564	-
Balances due to brokers		
Purchase transactions awaiting settlement	865,105	838,710

In accordance with the Company's policy of trade date accounting for regular 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.

9. Cash and Cash Equivalents

	31 December 2013 US$	31 December 2012 US$
Cash on demand	31,966,705	9,073,775
Cash equivalents	2,842,928	-
	34,809,633	**9,073,775**

10. Accounts Payable and Accruals

	31 December 2013 US$	31 December 2012 US$
Management fees	845,551	654,779
Directors' fees	-	24,875
Administration fees	37,322	31,014
Custodian fees	-	21,000
Redemption payables	2,465,000	-
Other payables	748,202	75,724
	4,096,075	**807,392**

11. Issued Share Capital and Share Premiums

	31 December 2013 US$	31 December 2012 US$
Authorised		
redeemable shares at par value of US$0.01 each	5,000,000	5,000,000
300,000,000 conversion shares at par value of US$0.01 each	3,000,000	3,000,000
1,000 management shares at par value of US$0.01 each	10	10
	8,000,010	**8,000,010**
Issued and fully paid		
173,823,000 (31 December 2012: 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
	1,738,240	1,738,240
Treasury shares		
Redeemable shares	195,290	53,356
Shares in circulation		
Redeemable shares	1,542,940	1,684,874
Management shares	10	10
Outstanding issued share capital in circulation	**1,542,950**	**1,684,884**

Redeemable shareholders 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 shares of which he is the registered holder. The redeemable shares carry rights to dividends as set out in Articles 106 to 114 of 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 redeemable shareholder has the right to require the redemption of any of his redeemable shares at his option.

11. Issued Share Capital and Share Premiums (Continued)

The conversion shares carry the exclusive right to dividends in respect of assets attributable to the conversion shares, 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 conversion shares to participate in the winding up of the Company, the conversion shares, if any, which are in existence at the date of the winding up of the Company will for all purposes be deemed to have been automatically converted into redeemable shares and deferred shares immediately prior to the winding up, on the same basis as if conversion had occurred 28 business days after the calculation date arising as a result of the resolution or the court to wind up the Company.

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

During the year, no conversion share was in issue, and no converstion share is in issue as at 31 December 2013 and 2012.

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 management shareholders have the exclusive right to appoint two individuals to the Board. The management shareholders 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 redeemable shares, during the year, the Company purchased through Rickmansworth Limited, a wholly owned subsidiary of the Company, 14,193,397 redeemable shares issued and outstanding of the Company at an average price of US$2.254 (in 2012: 5,335,580 redeemable shares at an average price of US$1.821). Shares purchased 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:

		2013		2012
	Shares	**US$**	**Shares**	**US$**
Balance at the beginning of the year	168,487,420	1,684,874	168,110,672	1,681,107
Redeemable shares repurchased during the year	(14,193,397)	(141,934)	(5,335,580)	(53,356)
Redeemable shares reissued during the year	-	-	5,712,328	57,123
Balance at the end of the year	**154,294,023**	**1,542,940**	**168,487,420**	**1,684,874**

Movements in share premium during the year were as follows:

	2012	2011
	US$	**US$**
Balance at the beginning of the year	347,835,682	345,762,725
Share premium from redeemable shares repurchased during the year	(31,850,447)	(9,661,913)
Share premium from redeemable shares reissued during the year	-	11,734,870
Balance at the end of the year	**315,985,235**	**347,835,682**

12. Net Asset Value per Redeemable Share

The calculation of the NAV per redeemable share is based on the net assets attributable to the redeemable shareholders of the Company as at 31 December 2013 of US$473,537,549 (31 December 2012: US$401,551,608) and the number of redeemable shares in issue as at that date of 154,294,023 shares (31 December 2012: 168,487,420 shares).

13. 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$9,359,296 (2012: US$7,872,265). As at 31 December 2013, a management fee of US$845,551 (31 December 2012: US$654,779) 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 NAV 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 conversion 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 conversion shares, an amount equal to any amounts of capital raised by the issue of conversion shares, exclusive of placing fees, compounded at the rate of 8% per annum with effect from the date of issue of those conversion 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 be payable in respect of the year ended 31 December 2013, the NAV per the redeemable shares of the Company as at 31 December 2013 needed to exceed US$8.62 (31 December 2012: US$7.98). As at 31 December 2013, the NAV of the redeemable shares of the Company was US$3.07 per redeemable shares (31 December 2012: US$2.38).

No incentive fee was incurred during the year ended 31 December 2013 and 2012 as the conditions were not met.

Directors' fees

During the year, total directors' fees amounted to US$135,075 (2012: US$92,667). No Director's fees were payable as at 31 December 2013 (31 December 2012: US$24,875). Dominic Scriven has permanently waived his rights to receive directors' fees for their services as Director of the Company.

Administration fees

Standard Chartered Bank (the "Administrator") is entitled to receive a fee of 0.06% (2012: 0.06%) of gross asset per annum, payable monthly in arrears, and subject to a minimum monthly fee. During the year, total administration fees amounted to US$426,045 (2012: US$362,696). As at 31 December 2013, an administration fee of US$37,322 (31 December 2012: US$31,014) was payable to the Administrator.

Custodian fees

Standard Chartered Bank (the "Custodian") is entitled to receive a fee of 0.05% (2012: 0.05%) of the assets under custody per annum, payable monthly in arrears, and subject to a minimum monthly fee of US$500 per custody account. In addition, the Custodian is entitled to US$20 per listed transaction and US$10 per script less securities. During the year, total custodian fees amounted to US$254,061 (2012: US$245,167). As at 31 December 2013, no custodian fee (31 December 2012: US$21,000) was payable to the Custodian.

14. Income Tax

Under the current law of the Cayman Islands and the British Virgin Islands, the Company, its subsidiaries and joint operation 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.

15. Basic Earnings per Redeemable Share

The calculation of basic earnings per redeemable share for the year is based on the net profit for the year attributable to the redeemable shareholders of US$103,978,322 (2012: US$69,342,519) and the weighted average number of redeemable shares outstanding of 162,877,016 shares (2012: 171,405,006 shares) in issue during the year.

(a) Net profit attributable to the redeemable shareholders

	2013 US$	2012 US$
Net profit attributable to redeemable shareholders	103,978,322	69,342,519

(b) Weighted average number of redeemable shares

	2013 US$	2012 US$
Issued redeemable shares at the beginning of the year	168,487,420	168,110,672
Effect of redeemable shares reissued during the year	-	4,155,154
Effect of redeemable shares repurchased during the year	(5,610,404)	(860,820)
Weighted average number of redeemable shares	162,877,016	171,405,006

(c) Basic earnings per redeemable share

	2013 US$	2012 US$
Basic earnings per redeemable share	0.64	0.40

16. Joint Operation

The Company has a 90% interest and recognises its share of assets, liabilities and transactions in its consolidated financial statements in respect of its interests in Dragon Financial Holdings Limited.

Included in the consolidated financial statements are the following amounts related to joint operation:

	2013 US$	2012 US$
Statement of financial position		
Financial assets at fair value through profit or loss	42,508,918	45,544,008
Statement of comprehensive income		
Net changes in fair value of financial assets at fair value through profit or loss	14,343,703	17,378,793

17. Financial Risk Management

The Group invested in listed and unlisted investments in Vietnam, the Cayman Islands, Australia and Canada, and may invest elsewhere and is exposed to credit risk, liquidity risk and market risks 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 practice portfolio diversification and have adopted a range of appropriate restrictions and policies, including limiting the Group's cash investment in each investment to not more than 20% of the Group's capital at the time of investment. Nevertheless, the markets in which the Group operates and the investments that the Group makes 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 2013 and 2012, the Group's credit risk arose principally from its other receivables 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. The maximum exposure to credit risk at the reporting date was as follows:

	Note	31 December 2013	31 December 2012
		US$	US$
Other receivables	(i)	680,192	72,117
Balances due from brokers	(i)	1,788,564	-
Cash and cash equivalents	(ii)	34,809,633	9,073,775
		37,278,389	9,145,892

(i) Other receivables and balances due from brokers
Other receivables represent dividends receivable from investee companies. Balances due from brokers represent cash receivable on disposal transactions. Credit risk relating to dividends receivable and balances due from brokers is considered small due to the short settlement period involved.

(ii) Cash and cash equivalents
The Group's cash and cash equivalents are held mainly with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

(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 Group 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 2013 and 2012, 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 FX 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 levels of the equity indices and the values of individual securities. 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. Investment Manager'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
	2013	2013	2012	2012
	%	US$m	%	US$m
Market indices				
VN Index	50	226.93	50	174.85
VN Index	(50)	(226.93)	(50)	(174.85)

17. Financial Risk Management (Continued)

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.

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 2013	Up to 1 year US$	1 - 5 years US$	Non-interest bearing US$	Total US$
ASSETS				
Other receivables	-	-	680,192	680,192
Balances due from brokers	-	-	1,788,564	1,788,564
Cash and cash equivalents	34,809,633	-	-	34,809,633
TOTAL ASSETS	**34,809,633**	**-**	**2,468,756**	**37,278,389**
LIABILITIES				
Accounts payable and accruals	-	-	(4,096,075)	(4,096,075)
Balances due to brokers	-	-	(865,105)	(865,105)
TOTAL LIABILITIES	**-**	**-**	**(4,961,180)**	**(4,961,180)**
NET INTEREST SENSITIVITY GAP	**34,809,633**	**-**	**(2,492,424)**	**32,317,209**

At 31 December 2013, a change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the redeemable shareholders by US$319,667. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 December 2012	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	-	-	11,211	11,211
Other receivables	-	-	72,117	72,117
Cash and cash equivalents	9,073,775	-	-	9,073,775
TOTAL ASSETS	**9,073,775**	**-**	**83,328**	**9,157,103**
LIABILITIES				
Accounts payable and accruals	-	-	(807,392)	(807,392)
Balances due to brokers	-	-	(838,710)	(838,710)
TOTAL LIABILITIES	**-**	**-**	**(1,646,102)**	**(1,646,102)**
NET INTEREST SENSITIVITY GAP	**9,073,775**	**-**	**(1,562,774)**	**7,511,001**

At 31 December 2012, a change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the redeemable shareholders by US$90,738. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

Foreign currency risk
The Company'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 investments may be affected favourably or unfavourably by fluctuations in currency exchange rates, therefore, the Group will necessarily be subject to foreign exchange risks. The Investment Manager monitors the Group's currency position on a monthly basis. The currencies giving rise to this risk are primarily Australian Dollars("AU$"), Canadian Dollar ("CA$") and VND.

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

	Denominated in		
	AU$	CA$	VND
31 December 2013	**US$**	**US$**	**US$**
ASSETS			
Financial assets at fair value through profit or loss	427,996	-	440,792,344
Other receivables	-	-	680,192
Balances due from brokers	-	-	1,788,564
Cash and cash equivalents	-	-	22,696,819
TOTAL ASSETS	**427,996**	**-**	**465,957,919**
LIABILITIES			
Balances due to brokers	-	-	(865,105)
TOTAL LIABILITIES	**-**	**-**	**(865,105)**
NET CURRENCY POSITION	**427,996**	**-**	**465,092,814**

	Denominated in		
	AU$	CA$	VND
31 December 2012	**US$**	**US$**	**US$**
ASSETS			
Financial assets at fair value through profit or loss	2,085,644	-	322,033,920
Cash and cash equivalents	-	381,971	5,078,128
TOTAL ASSETS	**2,085,644**	**381,971**	**327,112,048**
LIABILITIES			
Balances due to brokers	-	-	(838,710)
TOTAL LIABILITIES	**-**	**-**	**(838,710)**
NET CURRENCY POSITION	**2,085,644**	**381,971**	**326,273,338**

At 31 December 2013, if the US$ had strengthened or weakened by 10% (31 December 2012: 10%) against the AU$, CA$ and VND with all other variables held constant, the net assets attributable to the ordinary shareholders would have been decreased or increased by the amounts shown below. This analysis was performed on the same basis as in 2012.

	Denominated in		
	AU$	CA$	VND
	US$	**US$**	**US$**
2013	42,800	-	46,509,281
2012	208,564	38,197	32,627,334

(d) Capital management
The Group considers the capital under management as equal to net assets attributable to the ordinary shareholders. 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 strategies of the Group.

18. Contingencies

Under the current law of the Cayman Islands and the British Virgin Islands, the Company, its subsidiaries and joint operation 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 joint operation 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 joint operation 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.

19. Subsequent Events

Repurchase of redeemable shares of the Company
Subsequent to the year end, the Company repurchased, through Rickmansworth Limited, 1,185,000 redeemable shares of the Company with total value of US$3,074,425. Shares repurchased will, for as long as they are held by Rickmansworth Limited, be held for the benefit of the Company.

20. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 April 2014.

ADMINISTRATION

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Administrator & Offshore Custodian

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Vietnam Custodian

Standard Chartered Bank (Vietnam) Limited
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Hanoi
Vietnam

Company Secretary & Registrar

Maples Secretaries (Cayman) Limited
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Auditors

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Ireland

BOARD OF DIRECTORS

Derek Eu-Tse Loh

Independent non-executive director
(Appointed March 2011)

Derek Eu-Tse Loh graduated from Cambridge University with Honours in 1990. He then obtained his barrister-at-law in England before proceeding to his call as an advocate and solicitor in Singapore in 1993. He has spent the past 18 years in active practice in the area of construction and engineering law. He joined TSMP Law Corporation in 2001. He is currently a director of both TSMP and Allens Arthur Robinson TSMP, a Joint Law Venture firm between TSMP and Messrs Allens Arthur Robinson of Australia. He sits on the Boards of listed companies in Singapore including Freight Links Express Holdings where he Chairs the Remuneration and Nomination Committees. Mr. Loh is a member of the Board of Governors of Saint Joseph Institution, a leading independent school in Singapore and is on the Board of Trustees of Saint Joseph's Institution Foundation (Singapore), a charitable organisation. He resides in Singapore.

Wolfgang Bertelsmeier

Independent non-executive director
(Appointed July 2009)

Wolfgang Bertelsmeier holds a Master's degree in business administration from the University of Frankfurt. He also studied at the Université de Poitiers, France, Harvard Business School and Stanford University. Mr. Bertelsmeier worked for several financial institutions and joined the International Finance Corporation ("IFC") in 1990, working primarily in Africa, Southeast Asia, Latin America and Europe until his retirement. He sits on the boards of several companies in Africa and Europe. He resides in Washington D.C. and Bangkok, Thailand.

Hartmut Giesecke

Chairman and independent non-executive director
(Appointed January 2006 / did not stand for re-election at AGM on 20 November 2013)

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 as a financial analyst in Geneva, Switzerland in 1972 and then moved to Los Angeles to work for Capital Research Company as an analyst covering non-US markets and later on 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. He resides in Singapore and Munich, Germany.

Farida Khambata

Non-executive director
(Appointed April 2012)

Farida Khambata holds a Masters degree in economics from the University of Cambridge and a Masters from the London Business School. She joined the World Bank in 1975 where one of her assignments was to manage the non-US assets of the World Bank Group's pension fund. In 1986, Mrs. Khambata joined the IFC where she held a number of positions including being in charge of Treasury Operations, Vice President for Portfolio and Risk Management and Vice President for South and East Asia, the Pacific, Latin America and the Caribbean. She was also a member of IFC's senior management team. In 1992, she coined the term Frontier Markets to describe a subset of emerging markets. Mrs. Khambata is currently the Global Strategist at Cartica Capital, an asset management company investing solely in emerging markets. She resides in Washington D.C.

Dominic Scriven, OBE

Non-executive director
(Appointed May 1995)

Dominic Scriven graduated in Law and Sociology from Exeter University in 1985. In 29 years of investing throughout Asia, he has worked for M&G (UK), Citicorp Vickers (HK), and Sun Hung Kai (HK). He moved to Vietnam in 1991, spending two years at Hanoi General University, before co-founding Dragon Capital in 1994. A Vietnamese speaker, he is a Director of a number of publicly listed companies, and an active advocate for financial market development. His external interests include art and propaganda, and conservation. He was made an OBE in 2006, and 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
Military Commercial Joint Stock Bank	Military Bank
Joint Stock Commercial Bank for Foreign Trade of Vietnam	Vietcombank
Consumer Durables	
Phu Nhuan Jewelry Joint Stock Company	Phu Nhuan Jewelry
Diversified Financials	
Masan Group Corporation	Masan Group
Saigon Securities Incorporation	SSI
Energy	
PetroVietnam Technical Service Corporation	PVSC
Food & Beverage	
Vietnam Dairy Products Joint Stock Company	Vinamilk
Funds	
Vietnam Securities Investment Fund - VF1	VFMVF1
Vietnam Securities Investment Fund - VF2	VFMVF2
Materials & Resources	
Bersa Gold Inc.	Bersa
Hoa Phat Group Joint Stock Company	Hoa Phat Group
Hoang Anh Gia Lai Rubber Joint Stock Company	Hoang Anh Rubber
PetroVietnam Fertilizer and Chemical Joint Stock Company	Phu My Fertilizer
Pharmaceuticals	
DHG Pharmaceutical Joint Stock Corporation	Hau Giang Pharma
Real Estate	
Binh Chanh Construction & Investment Joint Stock Company	BCCI
Hoang Anh Gia Lai Joint Stock Company	Hoang Anh Gia Lai
Refrigeration Electrical Engineering Corporation	REE
Song Da Urban & Industrial Zone Investment and Development Joint Stock Company	Sudico
Khang Dien House	Khang Dien House
Software & Services	
FPT Corporation	FPT

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 us 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 Biogas Program initiated by SNV and the Government of Vietnam. The project converts animal waste to energy via biogas digesters to produce clean and affordable energy for cooking. 840,000 persons in 58 provinces in Vietnam benefit from the project and 589,125 tonnes of CO2 are reduced annually. Emission reductions from the project are verified and certified to the Gold Standard of Voluntary Carbon Emissions Reductions and the Program was awarded The Energy Globe Award (2006), The Ashden Award (2010) and The World Energy Award (2012).

nexus
beyond offsetting

VIETNAM NETHERLANDS

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