DRAGON CAPITAL

VEIL Vietnam Enterprise Investments Limited

ANNUAL REPORT 2016

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders

Vietnam Enterprise Investments Limited ("VEIL", or the "Fund") had an excellent year in 2016, beating its benchmark Vietnam Index ("VN Index") by 582 bps – its biggest margin of outperformance in the last five years. This was all the more noteworthy given the large number of new listings that took place during the year, and the fact that one particular speculative stock dramatically skewed the index upward. VEIL's listing on the Main Market of the London Stock Exchange ("LSE") on 5 July 2016, along with its subsequent inclusion in the FTSE Small Cap Index, now make it one of the most attractive funds for accessing Vietnam's equity market. Indeed, VEIL's share price discount narrowed significantly in the second half of the year with good secondary market trading liquidity in the shares on the London market whilst the current market capitalisation of the Company places it on cusp of the FTSE 250 Index (VEIL is currently on the FTSE 250 Reserve List).

The Fund's total US$ return for the year was 22.8%, thanks mainly to the recovery of steel holdings Hoa Phat and Hoa Sen as well as new holdings in the transportation sector. Largest holding Vinamilk also witnessed strong appreciation on good earnings growth and strong market share expansion. Additionally, VEIL took advantage of its local knowledge to participate in various IPOs/private placements such as ACV, Novaland, Vietjet Air, etc., that contributed meaningfully to the Fund's performance.

2016 also saw significant market developments, including Government determination to lift the foreign ownership limits for companies not in restricted sectors and the listing of several big IPOs. As a result, market capitalisation of the three exchanges combined, namely Ho Chi Minh City Stock Exchange ("HSX"), Hanoi Stock Exchange ("HNX") and Unlisted Public Companies Market ("UPCoM"), grew 42% from US$60.6bn to US$86bn in just one year. Further market deepening through the expected merger this year of the HSX and HNX exchanges could promote product development and accelerate state-owned enterprise ("SOE") privatisation, creating sizeable opportunities for all market participants. With new rules forcing the acceleration of listing for all public and IPO companies in 2017, Vietnam's market capitalisation could reach over US$120bn by year-end. Given that, the Government's target for market cap to reach 80% of gross domestic product ("GDP") by 2020 (from 44% today) seems realistic.

Meanwhile, Vietnam's banking system is undergoing healthy restructuring, with much-reduced non-performing loans ("NPLs") and near-completion of the VAMC's program to buy bad debts. Some banks even accelerated provisioning for their Vietnam Asset Management Company ("VAMC") loans thanks to strong recovery in 2016 earnings.

As for the currency, the US$/VND exchange rate was stable despite a strengthening US$. Foreign reserves reached a record high of US$41bn by year-end, and the build-up should continue in 2017 thanks to large US$ inflows into SOE divestments – which in turn should help keep the currency on an even keel.

The Government's 2017 GDP growth target of 6.7% (higher than 2016's 6.2% growth), together with it forecast of below 4% inflation, imply a favourable backdrop for market development. Corporate earnings will continue to benefit from economic strength and growth-supportive measures from the new Government. As such, we expect the earnings of the 50 largest companies in our investment universe to grow approximately 15%.

Macro-economic conditions for 2017 will probably be similar to those of 2016. Changes in the global political environment and uncertainty in global markets may create some volatility in Vietnamese stocks. A significant rise in global trade protectionism, especially a rising risk of a trade war between the US and China following the new US administration's agenda, may dampen the global economic outlook, and this might have a negative impact on the Vietnam's currency market and international trade. But the country's economy is more likely to be affected by domestic developments – and on that front, things look promising. Regardless of what happens in the short run, though, VEIL is well positioned to benefit from Vietnam's long-term trend of accelerating economic and capital market development.

Wolfgang Bertelsmeier
Chairman
Vietnam Enterprise Investments Limited
20 April 2017

COMPANY OVERVIEW AND STRATEGY

INVESTMENT OBJECTIVE

VEIL's objective is to seek medium to long term capital appreciation of its assets.

BENCHMARK

VEIL does not benchmark against any index. However, VEIL looks to outperform the VN Index, a capitalisation-weighted index of all the companies listed on the HSX, on a rolling three-year basis. VN Index is available on Bloomberg on 'VNINDEX VN Equity <GO>'.

BUSINESS MODEL

VEIL was incorporated in the Cayman Islands on 20 April 1995 under the Companies Law (Revised), Cap. 22, of the Cayman Islands as an exempted company with limited liability and is a closed-end investment fund. VEIL is the longest running fund focused on Vietnam and one of the largest which invests primarily in listed and pre-IPO companies in Vietnam that offer attractive growth and value metrics, good corporate governance, and alignment with Vietnam's underlying growth drivers.

On 5 July 2016, VEIL's shares were admitted to the premium segment of the Official List of the UK Listing Authority, and to trading on the London Stock Exchange's Main Market for listed securities.

INVESTMENT POLICY

Asset allocation

VEIL seeks to achieve its investment objective by investing in companies primarily operating in, or with significant exposure to, Vietnam. Whilst VEIL's portfolio will reflect a focus on Vietnam, VEIL may also invest up to, in aggregate, 20% of Net Asset Value ("NAV") at the time of investment, in companies operating in, or with significant exposure to Cambodia and Laos.

VEIL expects that the majority of the investments comprising the portfolio will be equity securities admitted to trading on the HSX, the HNX, or on another stock exchange. VEIL may, nonetheless, invest in unlisted equity securities and listed or unlisted debt securities or loan instruments.

The companies in which VEIL will invest may have any market capitalisation and may operate in any industry. In respect of the debt securities in which VEIL may invest, these may be fixed or floating rate and may have any credit rating or may be unrated.

VEIL may seek exposure to securities directly or indirectly and VEIL may use derivatives for investment purposes and efficient portfolio management. VEIL may invest in investment companies that have, as their main objective, a focus on investing in securities falling within VEIL's investment policy. Investments in other investment companies will not exceed 10% of NAV at the time of investment.

VEIL does not intend to take legal or management control of any investee company. VEIL may also hold cash or other short term investments such as commercial paper or certificates of deposit. Under normal market conditions, it is expected that VEIL will be substantially fully invested in investments meeting its investment policy. However, where considered prudent to do so (for example, in the event of a lack suitable investment opportunities or in times of falling markets or market volatility), VEIL's portfolio may reflect a significant weighting to cash or other short term investments.

Investment restrictions

VEIL will observe the following investment restrictions in each case calculated at the time of investment:

(a) no more than 20% of the gross assets of VEIL may be exposed to the creditworthiness or solvency of a single counterparty;

(b) no more than 20% of the gross assets of VEIL may be invested in any one issuer; and

(c) no more than 40% of the gross assets of VEIL may be invested in any one industrial sector.

Borrowing

VEIL is permitted to borrow money and to charge its assets. VEIL will not have aggregate borrowings in excess of 20% of the VEIL's NAV at the time of borrowing.

VEIL may borrow for the purposes of capital flexibility, including for investment purposes. The Board will oversee the level of gearing in VEIL, and will review the position with the Investment Manager on a regular basis.

Changes to investment policy

No material change will be made to the investment policy without the approval of shareholders by ordinary resolutions.

In the event of a breach of the investment policy set out above and the investment and borrowing restrictions set out therein, the Investment Manager shall inform the Board upon becoming aware of the same, and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

COMPANY OVERVIEW AND STRATEGY (CONTINUED)

KEY PERFORMANCE INDICATORS

At each Board meeting, the Directors consider a number of performance measures to assess VEIL's success in achieving its objectives. The key performance indicators ("KPIs") are established industry measures, and are as follows:

KPI	Description
NAV and share price	The Board monitors the NAV and share price performance of VEIL over different time periods. Performance for one, three and five years are provided on page 5.
Performance against reference	Performance is measured against the VN Index, on a three year rolling basis. The Board also considers peer group comparative performance over a range of time periods, taking into consideration the differing investment policies and objectives of those companies.
Discount/ Premium to NAV	The discount/premium relative to the NAV represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount relative to similar single country investment companies investing in Asia (ex-Japan) by the use of share buy backs subject to market conditions. A graph showing the share price discount/ premium relative to the NAV is also shown on page 4.

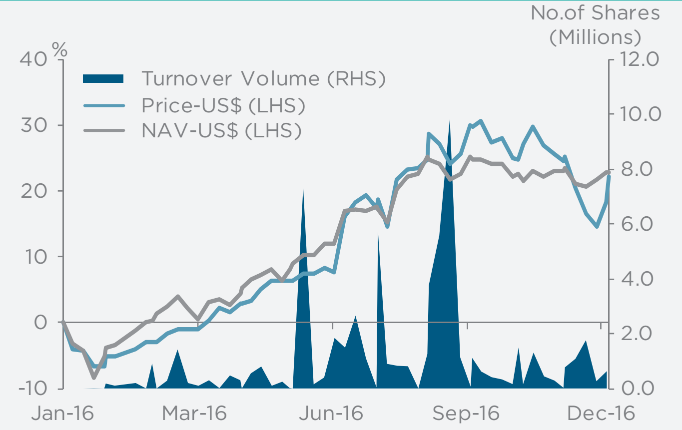
BOARD COMPOSITION

The Board supports the principle of boardroom diversity. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thoughts, experience and qualification for the effective conduct of VEIL's business. New appointments are identified against the requirements of VEIL's business and the need to have a balanced Board.

As at 31 December 2016, the Board consisted of five Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

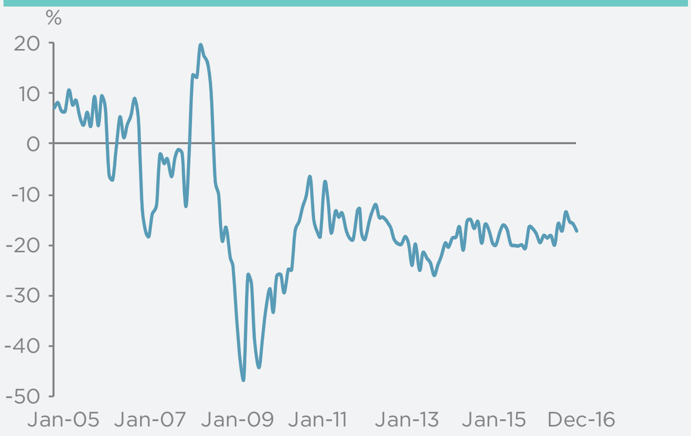
SUMMARY OF RESULTS

SHARE PRICE & NAV



NAV and share price are based on US$.

PREMIUM & DISCOUNT TO NAV



Source: Dragon Capital

PERFORMANCE

	31 December 2016	31 December 2015
Total net assets (US$)	974,802,771	792,652,878
Total net assets (GBP)	788,907,883	n/a
Number of outstanding shares	220,920,746	220,920,746
NAV per share (US$)	4.41	3.59
NAV per share (GBP)	3.57	n/a
Share price (US$)*	n/a	2.99
Share price (GBP)*	2.96	n/a
Discount to NAV (US$)	n/a	16.71%
Discount to NAV (GBP)	17.09%	n/a
GBP/US$ exchange rate	1/0.8093	n/a

* Following the listing on the London Stock Exchage, the share price is quoted in GBP only.

	Year to 31 December 2016	Year to 31 December 2015
NAV returns (US$)	22.84%	5.59%
NAV returns (GBP)*	12.97%	n/a
Share price returns (US$)	n/a	6.03
Share price returns (GBP)*	45.70%	n/a
VN Index (price return - VND terms) (%)	14.82	6.12
VN Index (total return - US$ terms)** (%)	17.08	4.72

* For the period from 5 July to 31 December 2016
** Source: Bloomberg. For the period ended 31 December 2015 to 31 December 2016

PERIOD'S HIGH AND LOW

	Year to 31 December 2016		Year to 31 December 2015	
	High	Low	High	Low
NAV per share (US$)	4.50	3.29	3.83	3.27
NAV per share (GBP)	3.66	3.08	n/a	n/a
Share price (GBP)	3.35	2.59	3.04	2.67

Source: Dragon Capital, London Stock Exchange

SUMMARY OF RESULTS (CONTINUED)

INVESTMENT PORTFOLIO – TEN LARGEST INVESTMENTS

Company	Sector	Market value 2016 (US$)	% NAV	Total return 2016 (%)	Initial acquisition
Vinamilk	F & B	147,202,301	15.10	20.70%	22 October 2003
Mobile World	Retail	66,731,088	6.85	99.99%	3 October 2014
FPT	Technology	58,413,046	5.99	8.19%	19 June 2009
Military Bank	Banks	53,089,726	5.45	-0.58%	9 March 2010
ACV	Transportation	49,363,945	5.06	19.41%	14 December 2015
ACB	Banks	48,894,956	5.02	-3.45%	1 April 2010
PV Gas	Energy	46,000,273	4.72	79.87%	23 November 2010
Hoa Phat	Materials & Resources	45,042,193	4.62	72.90%	1 December 1996
Novaland	Real Estate	44,525,361	4.57	0.17%	19 June 2015
Vietcombank	Banks	31,453,592	3.23	9.71%	1 July 1996
Total ten investments		34,823,403	60.25		

Source: Dragon Capital and Bloomberg (total return in US$ terms in respective index)

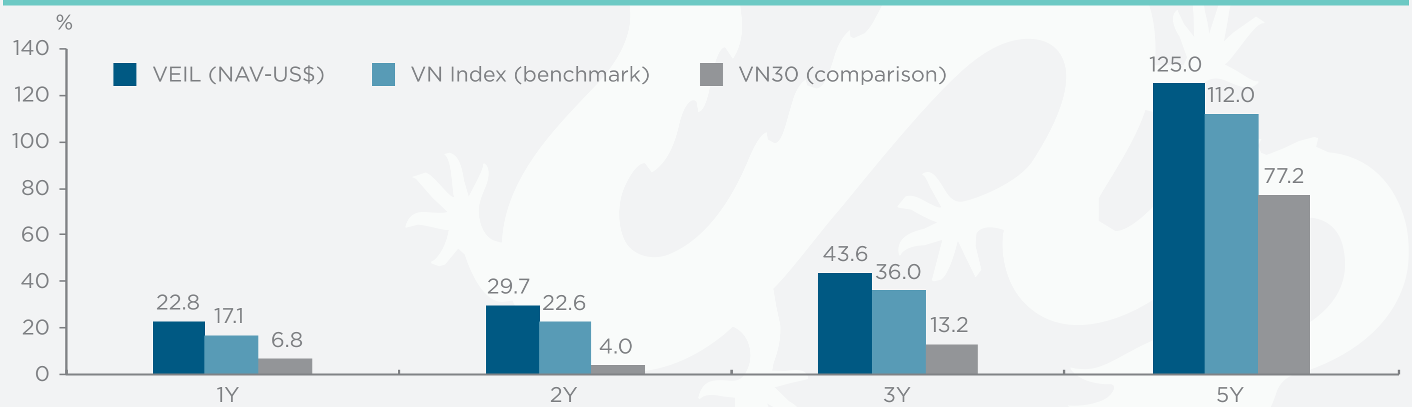
TEN YEAR RECORD

Year ended 31 December	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total net assets (US$m)	897.76	377.18	480.99	414.84	330.17	400.85	473.78	512.94	792.65	974.80
Total net assets (GBPm)										788.91
NAV per share (US$)	5.70	2.10	2.50	2.46	1.96	2.38	3.07	3.40	3.59	4.41
NAV per share (GBP)										3.57
Share price (US$)	5.60	1.63	1.85	2.02	1.71	1.91	2.47	2.82	2.99	n/a
Share price (GBP)										2.96
Earnings per share (US$)	0.88	-3.48	0.40	-0.05	-0.51	0.40	0.64	0.32	0.15	0.82
Discount to NAV (%)	-1.75	-22.62	-26.00	-17.89	-12.76	-19.75	-19.54	-17.06	-16.71	-17.09

SOURCE OF INCOME (US$)

	Year to 31 December 2016	Year to 31 December 2015
Bank interest income	47,210	101,805
Dividend income	7,582,111	6,925,393
Net changes in fair value of financial assets at fair value through profit or loss	162,976,600	(5,794,940)
Gains on disposals of investments	33,038,858	33,581,701
Other income	736,650	9,444
Total	204,381,429	34,823,403

NAV PERFORMANCE



Source: Dragon Capital

INVESTMENT MANAGER'S REPORT

MACRO ECONOMY

Amid global uncertainties, higher growth is likely ahead

Vietnam's GDP grew by 6.2% in 2016. Failure to meet the Vietnamese Government's target of 6.7% was due to a steep drop in mining and the effect of poor weather on the agricultural sector. A reduction of 6% in mining – the biggest drop since 2011 – was the largest drag to growth in the industry and construction sector, which grew 7.6% in 2016 vs. 9.6% in 2015. However, the sector also accelerated from 7.1% in 1H2016 to 7.6% for all of 2016, so it is clearly on the mend.

Manufacturing maintained its critical role in stimulating economic development, achieving its highest growth over the last seven years at 11.9%. Services, the biggest sector at 41.8% of GDP, achieved its highest growth in five years at 7% year-on-year ("yoy") in 2016 vs. 6.1% yoy in 9M2015. This indicated strong domestic demand.

The recent Purchasing Managers' Index ("PMI") underscored the strength of the domestic and manufacturing sectors, with the 2016 PMI posting its highest yearly average since the inception of the index. Given the recovery of commodity prices, the Government is likely to increase oil production in 2017, which was a drag on growth with a 10% decline in 2016. In spite of the recent improvement in agricultural production (from a very low level to just slightly negative), and the growth momentum of the manufacturing and service sectors, we project 6.6% GDP growth for 2017.

Domestic consumption remained positive in 2016 with retail sales growing 10.2% in 2016 vs. 9.8% in 2015. Auto sales rose 34%, indicating an expanding middle-income class. Domestic consumption was also supported by the growing number of foreign visitors to Vietnam: 10 million in 2016, +26% vs. 2015. This was mainly due to a relaxing of visa requirements. A rising middle-income class and a period of stable economic growth have helped Vietnam's consumer confidence index remain high for the last two years. This won't change and consumption should remain strong in 2017.

Benign inflation and continued accommodative monetary policy

Headline inflation was 4.7% in 2016 vs. an abnormally low 0.6% last year. The key driver was the 55.7% increase in healthcare prices, which was expected – and which will increase less in 2017 according to the Ministry of Finance. Education's 10.8% cost rise also added to inflation. However, core inflation in 2016 remained quite stable at 1.9% vs. 1.7% in 2015.

Looking ahead to 2017, core inflation should be benign as the economy is still operating under capacity for many sectors and corporate demand for credit remained low in 2016. However, we expect headline inflation to be at 4.5% based on the expectation of: (1) a continued increase in healthcare fees for uninsured patients, and (2) a recovery of soft commodities like corn, soybean, etc.

Despite a pickup in headline inflation, the money market is rational, with the overnight rate stable at 2-3% as banks continue to experience ample liquidity. The State Bank of Vietnam ("SBV") runs its monetary policy based on core inflation. Therefore, it maintained Open Market Operation (OMO) rates at 5%. Bond yields also came down around 100 bps in 2016 with the 5-year Government bond dropping from 6.6% to 5.6% at the end of 2016. We believe that bond yields will trade in a narrow band in 2017 as we expect no significant change in Vietnam's monetary policy during the year.

Balance of payments and currency: Set to remain solid

Trade and Foreign Direct Investment ("FDI"): Vietnam posted a US$2.7bn trade surplus in 2016. Total export value reached US$176bn, up 8.6%. Failing to reach the Government's 10% export growth target was due to a slowdown in global trade and a decline of 1.8% in average export prices. Despite the recovery in the oil price, crude oil export value dropped 37%; excluding oil, total exports would have grown 11.8%. The US remained Vietnam's largest export market at 21.7% (+15% in 2016) followed by the EU at 19.3% (+10%). As we expected, the recall of the Samsung Galaxy Note 7 did not have a significant impact on Vietnam's exports in 2016. In 4Q2016, exports of cell phones and components still soared 25.5%.

Import value hit US$173.3bn, up 4.6% yoy. China remained the Vietnam's largest import partner at US$49.8bn, increasing only 0.5% in 2016 vs. 12.9% in 2015. The trade deficit with China remained the largest but declined by 15% to US$28bn in 2016. Given the domestic consumption recovery, consumption-related imports increased 6.8% and accounted for 8.9% of total imports, whilst production-related imports grew 4.4% and accounted for 91.1% of the total. Due to the new Samsung factories and LG's further expansion, we expect a US$3.5bn trade surplus in 2017.

The failure of the Trans-Pacific Partnership (TPP) was disappointing, but Vietnam can still thrive on the back of other significant trade deals – free trade agreements (FTAs) with the EU, Japan, Korea, and the European Economic Area (EEA). Vietnam is also currently negotiating deals with the Regional Comprehensive Economic Partnership ("RCEP") and Hong Kong. In fact, Vietnam exports more goods – 42.3% of the total – to RCEP member states (consisting of the ten ASEAN states, plus China, India, Australia, Japan, South Korea and New Zealand), than it does to TPP members, at 38.8%. Vietnam's competitive labour cost, geography for sourcing, and improving infrastructure quality and logistics have made FDI flows into Vietnam very resilient. Disbursed FDI reached US$15.8bn in 2016, +9% vs. 2015, and the highest level on record. However, we expect a slowdown in FDI disbursement in 2017 due to the high base set in 2016.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Foreign Indirect Investment ("FII"): The expected FII inflows will significantly impact Vietnam's Balance of Payments. In its testimony to the National Assembly in October 2016, the Government indicated its plan to raise a specific amount from selling off SOEs – US$20-30bn – to reduce its fiscal deficit during 2017-2020. Looking at the divestment plan, we expect a large amount of FII to come in during that time, especially in 2017 with the divestment of Sabeco and Vinamilk.

Remittances: The SBV estimates that overseas remittances will be slightly above US$9bn for 2016, 22% lower than its original projection of US$11.5bn, and 32% below the 2015 figure of US$13.2bn. Overseas remittances from the US accounted for about 60% of the total and 4Q normally accounts for 40% of total annual remittances.

Official Development Assistance ("ODA"): Analysts worry about the slowdown in committed ODA as Vietnam has moved out of the low income country category. However, the worry is overdone as Vietnam still received US$22bn in committed ODA which it has not been able to disburse. The key reason for slow ODA disbursement is a lack of local capital contribution. So the slowdown in ODA commitment may not be a bad thing as interest payments start as soon as the commitment is signed.

Balance of Payments: The SBV estimated a surplus of US$9.7bn for 9M2016 vs. a US$3.4bn deficit for 9M2015. We expect foreign exchange reserves to reach US$41bn at the end of 2016 compared to US$31bn in 2015. Given the outlook for the trade balance, FDI, FII and ODA, we project a surplus of US$5.5bn for 2017.

Currency: The Vietnamese Dong ("VND") was incredibly stable during 2016, appreciating 0.8% through October and declining only 1.1% for the full year, despite a strengthening dollar following the US election. Given our expectation of benign inflation and a huge US$ inflow into strategic deals from SOE divestment, it is hard to see how the VND will depreciate more than 2% in 2017.

Fiscal deficit and public debt: Challenge for Government but opportunity for SOE reform

The budget deficit including and excluding principal repayment is estimated to reach 5.5% and 4.2% in 2016 respectively. Both figures are higher than the initial Government targets of 4.9% and 3.8%. The key reason was that the nominal GDP growth was almost 10% lower than expected, due to a low GDP deflator. A steady fiscal deficit of 5.5% in the last few years has put pressure on public debt, which was estimated at 62.2% of GDP at the end of 2015. The World Bank estimated that public debt as percentage of GDP will reach 64.1% in 2016, almost touching the debt ceiling of 65% set by the National Assembly. Given the trend of nominal GDP and increase public debt, the ceiling will be hit soon. This is a challenge for the Government but is also an opportunity to reform the SOE sector. In 2017, the Government plans to borrow US$15bn compared to US$20bn of 2016. The reduction of borrowing will be financed by the receipts of privatisation and divestment of state assets.

Conclusion

Agriculture is expected to recover from 2016's lows, whilst both manufacturing and domestic consumption should continue to motor ahead as the key growth engines in 2017. Despite the recent uptick in commodity prices, an inflationary threat is unlikely. For all the fears at the start of the year from both China and a strengthening dollar, the foreign exchange rate was remarkably calm in 2016 and we expect much the same in 2017. By itself, Vietnam is going from strength to strength. The biggest risk to the Vietnam story, perhaps, does not come from within. Global uncertainties that were created in 2016 are likely to continue well into 2017. However, with a Government committed to reform and macroeconomic indicators pointing in the right direction, Vietnam has never been better positioned to face these headwinds.

STOCK MARKET

Market performance

The VN Index continued its bull run into a fifth year in 2016, rising 17.1% (total return in US$ term). Average daily trading value rose 22% yoy to US$109m. However, for the first time since recordkeeping began in 2006, the market experienced a net outflow of foreign capital – by US$345m for the year.

The year in review – an exhilarating rise after a difficult start: 2016 started off shaky as Vietnam, along with the rest of world, faced significant headwinds from fears of a Chinese blow up. At one point, the VN Index was down as much 9.9% from the start of the year. But as the volatility subsided, the VN Index started a steady ascent, driven by encouraging market developments and robust corporate earnings growth. The VN Index touched a ten-year high of 677.04 in late September in the process.

Foreign capital outflow – worth a closer look: The large net foreign outflow figure was no doubt a bad headline. But the more appropriate question is whether there was a shift in foreign investors' sentiment toward Vietnam's equity market. Our analysis showed that it was quite the opposite: First of all, the outflow was concentrated in only a few stocks, most notably Vingroup and Vinamilk, which accounted for a combined total outflow of US$416m. Excluding these two stocks, there was a technical inflow for the rest of the market.

In Vingroup's case, the dumping stemmed from the conversion of its convertible bond, which was heavily in the money. Vinamilk, on the other hand, was an interesting precedent: Previously a full-room stock, Vinamilk's foreign offer price had always traded at a premium to the market price. Upon the lifting of its foreign ownership limit ("FOL"), foreign investors could now sell the stock without having to pay a premium to repurchase it. So the ability to get back into the stock without paying a premium paradoxically led to more foreign selling in the short term – as foreigners became more willing to trade the stock.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Furthermore, there was an estimated US$938m inflow into the IPO/privatisation pipeline. These foreign investments, however, are not counted toward the listed exchange's foreign capital flow despite the fact that most of these companies are listed within the subsequent 3-6 months. As such, the headline capital outflow seemed to be more of a technical issue and did not accurately reflect the attitude of foreign investors towards Vietnam's equity market, as evidenced by the VN Index's gain for the year.

Market development – the deepening continues unabated: The most exciting development for Vietnam's capital market in 2016 was its continued deepening:

(1) New regulations shortened the listing process of IPOs/privatisations to just 20 days. It was not just about issuing a circular this time, though, as the Government sent a strong message regarding the enforcement of this regulation. What followed was a flurry of listings, many of which were major companies that had been trying to avoid listing for years. As a result, there was a surge in total market capitalisation across all three exchanges (HSX, HNX and UPCoM), from US$60.6bn at the start of the year to US$86bn by year end.

(2) In addition to growing the listed market, the Government also made clear its intention to accelerate both the privatisation pipeline and the State's divestments from several key state-owned enterprises ("SOE"s), such as Vinamilk, Sabeco and Habeco. Initially, there was no shortage of scepticism as the Government had touted these companies for years but never really acted on its promises. However, within a few months of the announcement, both Sabeco and Habeco were listed (something that both companies had managed to avoid for the last eight years) whilst Vinamilk squeezed in an auction for 9% of the Government's stake. This sent a strong signal that liberalisation of the financial market would be the immediate focus of the new Government, creating a lot of opportunities.

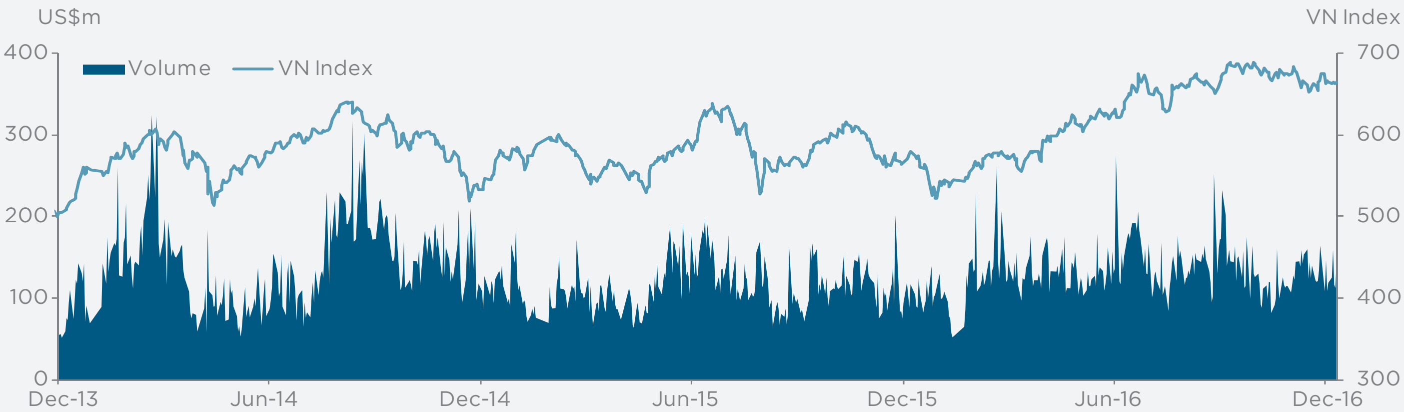
Equity outlook

2016 laid the groundwork for a better 2017: The developments of 2016 were a pleasant surprise that raised hopes for 2017. The market will welcome several big new listings, such as Petrolimex (US$1.2bn market cap), Vietjet Air (US$1.1bn), Vietnam Engine and Agricultural Machinery JSC (US$845m) and PV Oil (US$450m). There will also be landmark deals, such as the long-awaited auction for State divestment of Sabeco, and possibly the privatisation of Saigon Trading Corporation (US$3.5bn). At the current pace of market deepening, it is realistic to expect that the total market cap of all three exchanges may exceed US$100bn by the end of 2017.

All these major listings mean that by year end there will be a very different set of blue-chip companies driving the VN Index. Not all of these companies will be investible and it may take a while for the mechanics of the market to work themselves out. As such, forecasting the direction of the market next year will be difficult – and may not even be the right issue to focus on. Among the plethora of new listings expected to hit the market next year, there will be rare gems waiting to be picked and opportunities that may only come once in a decade.

And finally, looking at the numbers, our Top-50 stocks are forecast to deliver 16% EPS growth at 12.9x 12-month forward earnings, giving Vietnam's stock market one of the most compelling growth/valuation metrics in the region. So given the direction that capital market reform is heading, we believe 2017 will be an exciting year, with Vietnam remaining an attractive investment destination.

VN INDEX INFORMATION (ROLLING 3-YEAR)



Source: Bloomberg, Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

FUND PERFORMANCE

VEIL, rising 22.98% in 2016, outperformed the VN Index by 5.7%, despite a flurry of market-boosting new listings and the outlier performance of index heavyweights Faros ("ROS", +791.7%, 3.3% of VN Index) and Sabeco (+51.5%, 8.5% of VN Index). This was VEIL's best relative performance against the VN Index in the last five years and was mainly attributable to the outsized gains by its materials sector holdings (+70.1%). The transportation and food & beverage sectors were also significant contributors, as discussed in detail later in this report.

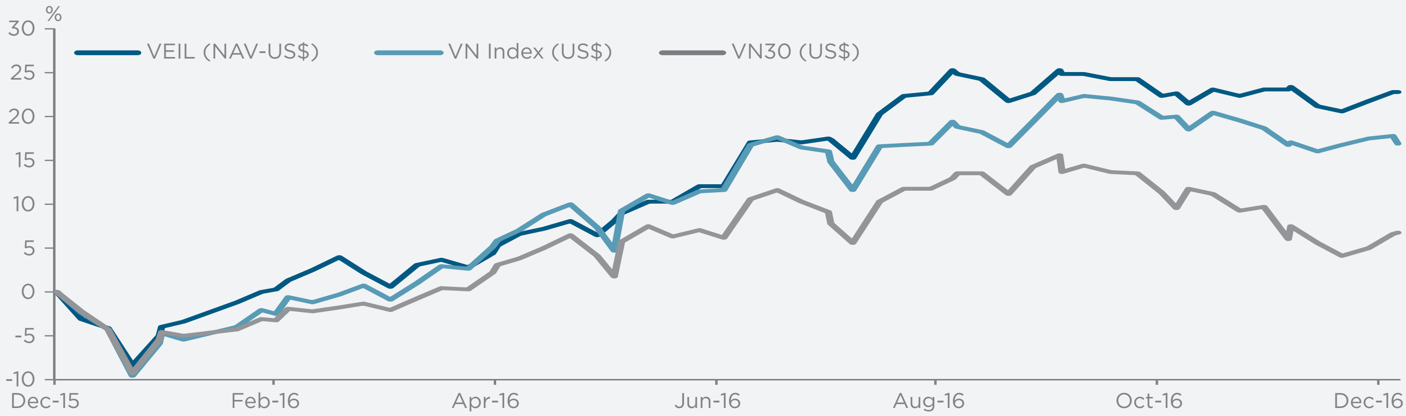
Market performance and development

The market as a whole also had a remarkable year, with historic highs and no less dramatic lows. The VN Index rose 17.1%, thanks in part to the new Government's two-pronged approach to developing the capital market by: (1) pushing big-ticket IPOs/privatisations to increase the market size, and (2) lifting FOL to increase market accessibility.

The new Government signalled that the next five-year term would be action oriented, with capital market development at the top of its agenda. Progress with this is already visible. As an example, Vissan, a top player in meat processing, had a very successful IPO that was won by Masan, a strategic investor that was willing to pay a price that implied a 2016 PER of 76. The listing of other names like Novaland, Sabeco, Habeco and ACV catapulted the market capitalisation of all three exchanges from US$60.6bn to US$86bn in just one year, a rise of 42%.

The effectiveness of the Government's FOL-raising decree was initially doubted – until Vinamilk completely removed its limit. The highly sought-after Military Bank then lifted its FOL from 10% to 20%. And Everpia, a bedding products manufacturer, became the first non-brokerage company to lift its FOL to 100%. We expect many more companies to follow suit in 2017.

FUND PERFORMANCE



ASSET ALLOCATION BY SECTOR[1]

	31 December 2016 %	31 December 2015 %
Food & Beverage	17.7	21.2
Real Estate	17.7	20.1
Banks	15.2	19.7
Materials & Resources	10.0	10.0
Transportation	7.7	2.5
Energy	7.2	3.6
Retail	6.8	1.5
Software & Services	6.0	6.5
Others	5.3	3.1
Diversified Financials	4.2	8.0
Consumer Durables	2.6	2.0
Cash[2]	2.4	2.2
Pharmaceuticals	1.3	1.9
Loans	(4.1)	(2.5)
	100.0	100.0

ASSET ALLOCATION BY ASSET CLASS[1]

	31 December 2016 %	31 December 2015 %
Equities	94.5	93.8
OTC Equities	6.8	3.9
Private Equities	0.04	2.1
Others	0.39	0.5
Cash[2]	2.38	2.2
Loans	(4.1)	(2.5)
	100.0	100.0

[1] For a full portfolio listing, please see Note 5 to the financial statements
[2] Cash includes cash and cash equivalents, receivables and payables

Source: Bloomberg, Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

There were a couple of events during the course of the year that caused the market to stumble. But the negative effects of Brexit and the US presidential election proved to be short-lived. The market also experienced its first year of net foreign selling since records began in 2006. This is a bad headline for sure, but not a signal of capital flight from Vietnam's equity market, as: (1) 92% of the outflow was concentrated in a single stock (Vingroup) as a result of dumping from a CB conversion; and (2) a significant portion of capital inflow (approximately US$950m) went into IPOs/Privatisations but was not counted as part of foreign flow calculations even if the companies were listed soon thereafter.

In addition, the VN Index performance was skewed by one company, Faros, a wildly overvalued contractor that rose 792% in four months to hit a 3.3% index weight, accounting for 20% of the VN Index's entire annual 2016 gain (3.5% of the 17.1% gain). This caused complications for investors who compare their returns to the VN Index.

Attribution analysis

The investments in the Portfolio are spread over more than 10 industries, all in Vietnam. As such, the Portfolio faces single-country risk. Security allocations are over- or underweighted vs. the benchmark based on a bottom-up process, which generally results in the selection of industry/sector leaders that have good corporate governance and trade at compelling discounts to intrinsic value. VEIL also had sizeable exposure (19.95% of NAV) to non-benchmark holdings including pre-listings and OTC-traded companies, as well as companies traded on other exchanges such as HNX and UPCoM. A complete listing of sector contributions to VEIL's performance can be seen below.

The materials sector was the top contributor (6.4%) to the VEIL's performance in 2016, with the Fund's holdings in sector leaders Hoa Sen Group (+155.9%) and Hoa Phat Group (+72.8%) rising on very good earnings resulting from strong sales volume growth and increased market shares. Hoa Sen Group had sales of VND17,894bn (+2.6%) and net earnings of VND1,504bn (+130.4%), while Hoa Phat Group achieved sales of VND33,283bn (+21.2%) and net earnings of VND6,606bn (+88.5%). Sales volumes grew on high market demand, which registered its fastest growth since 2007 thanks to the positive performance of the property market and exports. Profitability benefited from increased margins resulting from rising prices as a result of the imposition of import duties on Chinese steel.

The food and beverage sector was the second-biggest contributor (5.7%) to the Fund's performance. The key representative in this sector was also the Fund's biggest holding, Vinamilk, which raised its foreign ownership limit to 100% during the year. The State Capital Investment Corporation ("SCIC") sold 60% of its 9% of the company that it had targeted to sell. Although the SCIC did not succeed in selling its entire stake, it was nonetheless encouraging to see the State reducing its ownership in the company. Fundamentally, Vinamilk maintained its strong business performance with net sales of VND46,794bn, (+16.8%) and net earnings of VND9,350bn (+20.3%). We are, however, concerned about its 2017 earnings growth as the gross margin will be hit by the recent significant increase in the raw material price. This is the main reason why VEIL has been reducing its position in Vinamilk and re-investing the proceeds into more compelling opportunities.

Beverage company Sabeco is a recent acquisition of the Fund in the food and beverage sector. Given its leading position in the beer industry, solid business results, and mega-weight in VN Index, Sabeco is an alternative Vinamilk in order to diversify the portfolio. The stock did well (+33.9%) after listing on the HSX on 6 December 2016, however, the underweight position in Sabeco had a negative impact the Fund's performance.

SECTOR RETURN AND CONTRIBUTION

Sector	Portfolio return %	VN Index return %	Portfolio contribution %
Materials & Resources	70.07	37.01	6.43
F & B	25.98	27.34	5.71
Transportation	178.57	-0.07	4.42
Real Estate	14.74	10.22	2.39
Pharmaceuticals	123.51	63.90	1.96
Energy	39.34	64.37	1.94
Retail	83.21	55.86	1.41
Capital Goods	16.80	125.86	0.89
Software & Services	7.51	8.15	0.42
Banks	-6.52	-10.03	-1.32

Source: Dragon Capital, Bloomberg

INVESTMENT MANAGER'S REPORT (CONTINUED)

The third-largest contributor to VEIL's return (4.4%) was the transportation sector. VEIL's holdings here increased by 178.6% while the VN Index's transport components actually decreased by 0.1%. VEIL's gain was mainly due to ACV, which rose 86.4% since it started trading on the UPCoM on 21 November 2016. Since the Fund bought ACV in December 2014 at an average price of VND13,350, the stock has gained 264%. ACV'S 2016 operating results were also strong, with an estimated net revenue of VND16,595bn (+26%) and net earnings of VND3,384bn (+56%). The company was also estimated to have served 80.9 million passengers during the year (+28%), of which 23.8 million were international passengers (+25%) and 57.1 million domestic passengers (+30%).

Still in the transport sector, in December 2016, VEIL participated in the pre-IPO and IPO of Vietjet Air, the leading low-cost-carrier and the second-largest airline in Vietnam with a 41.4% market share. The IPO was oversubscribed, attracting interest from many big institutional players such as the Government of Singapore Investment Corporation (GIC) and Morgan Stanley, as well as from retail investors. Vietjet Air was recently approved to list 300m shares on the HSX with the ticker VJC. The company also announced strong 2016 operating results, with total revenue of VND27,532bn (+39%) and profit before tax of VND2,395bn (+105%). ACV and Vietjet Air are two typical examples of undervalued IPO stocks that VEIL was able to acquire due to its local presence and expertise. The Fund will continue to pursue this strategy and hopes to achieve similar results from upcoming IPO listings.

On the negative side, the banking sector, which fell by 6.5%, dragged down VEIL's performance by 1.3%. We attribute the poor performance of the sector to the following reasons: Firstly, as the sector is undergoing restructuring, 2016 was the year that many banks had to book very high provisions for NPLs. Secondly, the banks were facing pressure from Basel II to recapitalise. When banks apply Basel II, the CARs of the system will be lowered. Thus, the outlook for credit growth is restrained by the banks' ability to raise capital to meet Basel II standards. In addition, the search for strategic partners by various banks in 2016 was not successful. And thirdly, expectations of a lifting of bank FOLs went unfulfilled, with FOLs for the sector remaining unchanged at 30%. Nevertheless, the Fund's banking stocks outperformed the market by 3.5% thanks to the selection of top names in the sector, i.e. Vietcombank, ACB and Military Bank.

Outlook

Vietnam's 2017 market outlook looks bright, thanks to: (a) accelerated SOE reform via IPOs and State divestment of companies such as Satra Group, Petrolimex, Ben Thanh Group, Sawaco, etc. The Government also remains determined to shorten the time between listings and IPOs via a circular that went into effect from 1 November 2016 requiring SOEs to start trading on UPCoM within 20 working days of the investor deadline for submission of payment; (b) strong earnings growth, especially from some domestic-focused large-cap companies with good fundamentals; (c) the continued relaxation of foreign ownership limits, supported by a new proposal to revise the current Law on Securities to limit the reference to international commitments to WTO only. This would take away the company's right to decide its FOL. In other words, if the company works in a sector in which 100% foreign ownership is allowed, then the FOL for that company is 100%, and the company cannot set it lower. Even some sectors which are restricted by WTO commitments about FOLs, especially banks (FOL of 30%), the Government is considering raising the FOL.

Thus, VEIL's main strategy for 2017 is to participate in new IPOs, private placements, pre-listings and State divestments. The majority of VEIL's portfolio is still in listed Top-70 "blue chip" companies, with market caps generally down to a cut-off of US$200m. But we are also expanding our coverage into "medium-cap" names in the US$50-200m zone, where liquidity requirements are less emphasised, in favour of significant upside prospects based on deep research. Finally, we hope to create more value for our investees by advising them on actions they can take to enhance their company value, including: strategy building, capital structure, corporate governance, investor relations, etc.

Vu Huu Dien
Investment Manager
Vietnam Enterprise Investments Limited
20 April 2017

INVESTMENT MANAGER

Vu Huu Dien

Dien graduated from Ho Chi Minh City Finance and Accounting University in 1996. He worked as Senior Accountant for Proconco, Vietnam's leading animal-feed producer, and then in 2000 joined Dragon Capital Group as a Senior Analyst. While working full-time, Dien earned an MBA co-granted by Belgium's Solvay Business School and the Ho Chi Minh City Open University. In 2006, he was promoted to the Head of Corporate Finance, and in 2009 appointed to the Investment Manager of VEIL.

TOP TEN HOLDINGS

1. VINAMILK

Vinamilk is the largest milk producer with its own distribution network in Vietnam. Its market share is now 41% of Vietnam dairy segment worth US$5.0bn in total and it plans to increase to 46% in 2021. The value of Vietnam dairy segment expects to increase 7% per annum in 2017-2021 according to BCG and Vinamilk volumn sales is expected to grow 10% per annum in the same period.

2016 was a very successful year for the company as it estimated its prelim sales of VND46.2trn (+15% yoy) and profit after tax ("PAT") of VND9.3trn (+20% yoy). Vinamilk saw significant expansion in its margins thanks to the low cost of raw material. The company's 2016E gross and net profit margin is 41.6% and 20.1% respectively compare to those of 2015 of 40.6% and 16.8% respectively.

Vinamilk lifted its foreign limit up to 100% in July 2016 and its biggest shareholder SCIC (State Capital Investment Corporation) decreased its stake from 45.1% to 39.3% by selling 5.8% to Fraser and Neave Group ("F&N"). As at 31 December 2016, F&N is holding 16.4% of the company.

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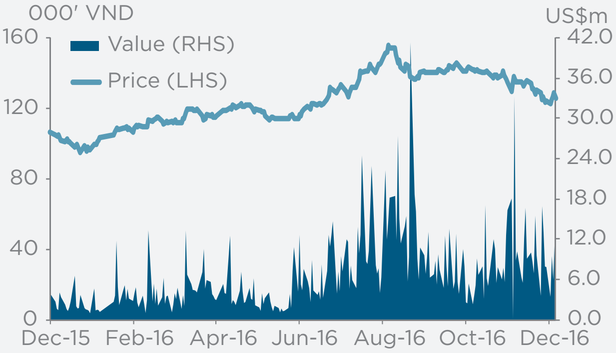

PRICE RELATIVE

Source: Dragon Capital, Bloomberg

2. MOBILE WORLD

Mobile World is currently the largest retailer in Vietnam in terms of revenue and profit as well as store network. Established in 2004 as one of the first 'modern shop' to retail-distribute mobile phones, Mobile Worldgrew rapidly and contributed largely in transforming consumer's behavior from shopping at traditional 'mom-and-pop' stores to modern retail stores. At this moment, Mobile World is operating via two channels, namely 'The Gioi Di Dong', which distribute IT products such as mobile phones, laptops and tablets, and 'Dien May Xanh', specialising in consumer electronics. The company is taking their first step to enter Grocery & Fast-moving consumer goods (FMCG) market, whose total market value is 10 times as large as mobile phone & consumer electronics markets combined. We believe this next channel will totally transform Mobile World into a Vietnam's retail giant.

Mobile World had a great year in 2016 with extraordinary growth in both revenues and earnings. Preliminary reports revealed that the company made VND44,500bn of revenues (+76.2% yoy) and VND1,560bn in net earnings (+50.0% yoy). These results were underpinned by aggressive store openings, with estimated 386 new The Gioi Di Dong and 211 new Dien May Xanh, bringing the total store count to 950 and 280, respectively, by the end of 2016. Meanwhile, online sales maintained its robust trajectory, growing over 105% vs. 2015. The company also announced its business target for 2017, including revenues of VND63,300bn(US$2.8 billion, +42% yoy) and NPAT of VND2,200bn (US$98m, +41% yoy).

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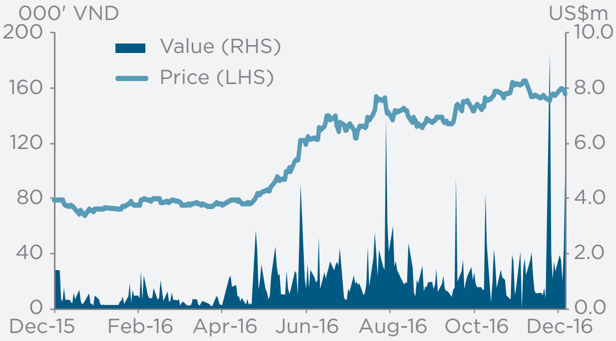

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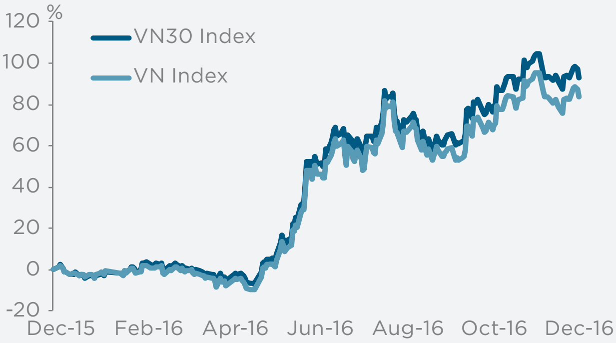

Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

3. FPT

FPT is the Vietnam's largest domestic IT services firm, and it leads the technology sector with number one positions in most of its areas of operation. Its business segments include Technology (Information Systems and Software Outsourcing), Telecom Services, and Distribution of IT products. The company has an exceptionally strong corporate culture which inspires innovation and teamwork.

In 2016, FPT is expected to deliver consolidated PBT of VND3,080bn (+6.2% yoy) on revenue of VND39,785bn (+4.8% yoy). Overseas markets continued to grow healthily. Until 11M2016, revenue from overseas markets was VND5,45bn, up 31% yoy, resulting in offshore PBT of VND806bn in the same period, up 39% yoy and accounting for 31% of consolidated PBT in 11M2016, vs. 24% in 11M2015.

We regard FPT highly for its transparency and good corporate governance. FPT sets a high standard for information disclosure by providing monthly results and organising quarterly investor meetings with Board of Management and Board of Director representatives. We are confident in the way FPT is managed, and we have great trust in its future development. We are especially delighted that FPT is expanding overseas, particularly in outsourcing, where it can leverage on its young and numerous workforces in Vietnam to serve this US$1trn global market.

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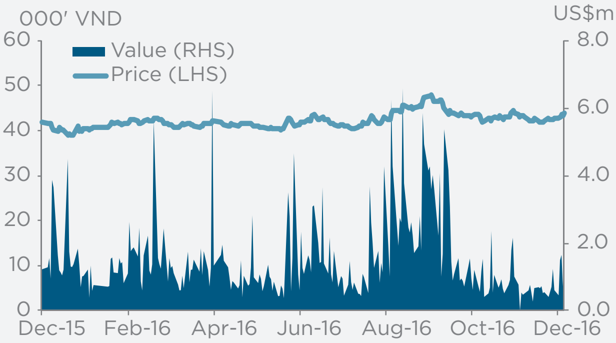

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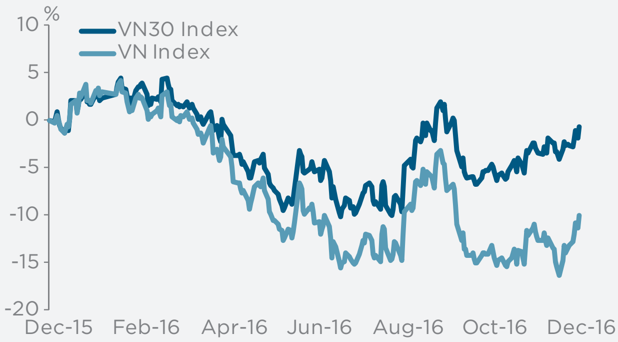


Source: Dragon Capital, Bloomberg

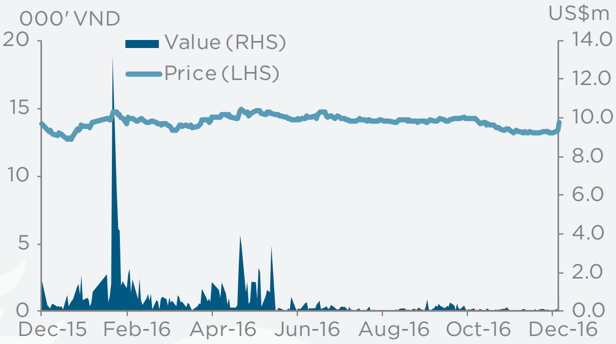
4. MILITARY BANK

Established in 1994 with the initial purpose of supporting the military's business activities, Military Bank transformed itself eight years later into a financial institution providing services to almost all Vietnamese customer segments. The most notable milestone for the bank was its achievement of the number one ranking in operating profit and performance among joint stock commercial banks in Vietnam for the three consecutive years of 2012, 2013 and 2014. The bank completed its stock market listing in 2011 and maintains a nationwide network of over 250 branches and sub-branches with on-going expansion plans for wider coverage. Military Bank currently employs more than 8,900 people.

For 2016, pre-tax profit for the bank only (parent company) was reported at VND3,711bn (+17.8% yoy), beating management guidance plan by 5%. The result is very encouraging given Military Bank's significant expansion into retail lending in 2016, which leads to much higher operating cost, plus a slight contraction of NIM due to high yield bonds being matured. The bank achieved strong credit growth of 23% yoy, against low NPL ratio at 1.33%. Military Bank's VAMC bond balance at the end of 1H-2016 was VND4,332bn, equivalent to 2.9% of outstanding loans. However, the bank's asset quality is among Top 3 with loan loss coverage ratio of 116.9%, the third highest in the banking sector.

Being well-capitalised, Military Bank is forecast to grow its loan book at 20% in 2017, thereby, driving NPAT growth of 15.6%. The bank recently announced a change in CEO, which we believe will facilitate the bank to advance faster in upcoming years.

STOCK PRICE



PRICE RELATIVE

Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

5. ACV

ACV is a monopoly airport operator in Vietnam. It owns and operates 22 civil airports across the country. Ministry of Transport is holding 95% of the company and planning to reduce its stake by selling to to Aéroports De Paris ("ADP") in March 2017. Tan Son Nhat Airport in Ho Chi Minh City and Noi Bai Airport in Hanoi are the two key contributors, which account for around 72% of the number of the total passengers number of the company and 76% of the total sales hence profit.

ACV saw a robust growth of 28% in total passenger growth to 81 million passengers, of which 70% was domestic passengers (+30% yoy) and 30% was international passengers (+23% yoy). ACV estimates to make US$142m in 2016E NPAT (+86% yoy) with sales +22% yoy. We expect 18% growth in its total passenger in 2017 due to its capacity constraint.

ACV is planning to build Long Thanh Airport near Ho Chi Minh City with a capacity of 25 million passengers, completed in 2027. Since 21 November 2016, the company is traded on UPCoM which is the trading floor of stocks and convertible bonds of public companies which have not been listed on either HSX or HNX. The company plans to be listed on HSX by the end of 2017.

6. ACB

ACB is a leading private bank in Vietnam with 3.3% market share in deposits and 3.1% in credit. The bank is ranked sixth in terms of total assets. After a difficult 2012 with litigation issues related to one of the bank's major shareholders, ACB has taken a series of decisive measures to clean up its balance sheet and refocus on becoming a leading retail bank in Vietnam. As at 9M2016, consumer and SME lending in turn contribute 50% and 30% of ACB's portfolio.

In 2016, ACB achieved PBT of VND1,666bn, up 27% yoy, driven by 22% increase in outstanding loan, stable NIM, plus lower provisioning expense thanks to record low NPL ratio at 0.87% by the end of 2016. Its detailed plan to solve legacy asset issues is on the right track. ACB is a rare investment case in the banking sector thanks to its ability to generate impressive growth from non-legacy banking operations, which facilitates the process of solving problematic assets, thus leaving better quality balance sheet.

We expect that the bank should be able to generate promising NPAT to shareholders from 2017 at 45.7% growth rate when the majority of legacy issues are settled, and especially from 2018, when all issues are expected to be solved.

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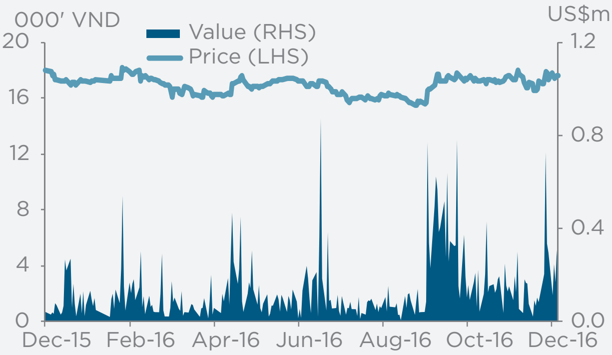

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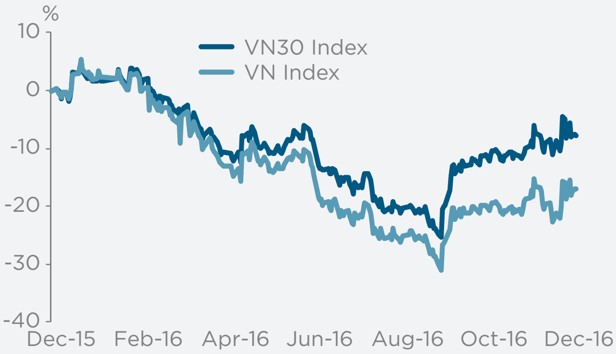

Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

7. PV GAS

PV Gas is the Vietnam's largest and only natural gas company, which is also the main gas supplier and the lead in Natural Gas, LPG and Gas Transmission business segments in Vietnam. In 2016, PV Gas was the top 1 in stock return and profit of oil and gas sector. Although average oil price dropping (-15%) has somehow affected the performance, the company successfully minimised the impact by setting its own policy that the selling price cannot be lower than the well cost price and assuring stable tariff for business operation in natural gas segment as well as gas transmission. Eventually, ROE of the company is respectively positive at more than 13%.

Looking forward to 2017, there is a positive signal for PV Gas due to the oil production cut off agreement from OPEC leading to oil price increment. Profit is expected to grow in accordance with oil price from US$46 to US$57/bbl, equivalent to 21% net profit increment. In addition, new project plans such as GPP-Ca Mau, Thien Ung-Dai Hung will contribute about 5-6% in the next few years. Overall, the toughest moment of PV Gas has passed and it is believed that the bright prospect is coming along with oil price increment prediction at US$70-80/bbl in long term.

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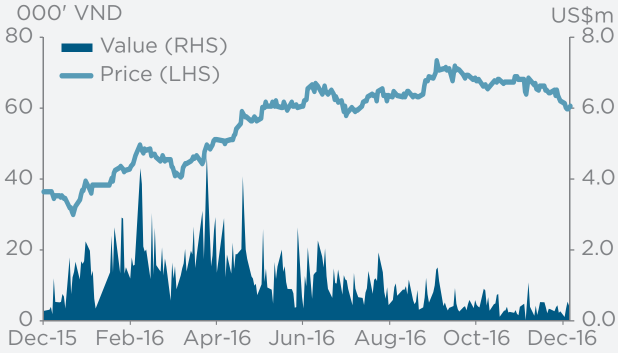


PRICE RELATIVE

Source: Dragon Capital, Bloomberg

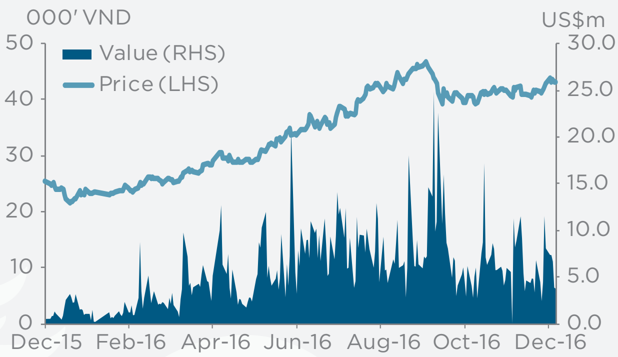
8. HOA PHAT

Hoa Phat is the Vietnam's leading industrial manufacturer that produces a wide range of products from rebar and pipes to machinery equipment, refrigeration and furniture. Despite engaging in a number of different businesses, the company has always focused its core on the steel segment, which accounts for 85% of the company's revenue and 85% of its profit. In last five years, Hoa Phat is the most profitable steelmaker in Vietnam with outstanding ROE of ~30%.

The company has become number 1 with 22.2% market share at the end of 2016. The company is known as the best in the industry in terms of cost control thanks to its vertical integration production. Hoa Phat is able to make billet and rebar from iron ore and coals. As a result, the company has weathered the economic slowdown much better than its peers, gaining more market share during economic slowdown and boom when construction and property market recovers.

In 2016, it's estimated that Hoa Phat can achieve revenue of VND32.9trn (+18% y/y) and net profit of VND5.7trn (+65% y/y) thanks to strong rebar volume growth (31%) and improving margins. Looking forward to 2017-2018, Hoa Phat steel volume is expected to growth 15-20% per annum, will help keep the company the most profitable steel maker.

STOCK PRICE



PRICE RELATIVE

Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

9. NOVALAND

Novaland is one of the largest real estate developers in Vietnam with 500ha of land bank. The company is developing 40 projects, mostly in mid-range/high-end residential segment in Ho Chi Minh City. It accounted for 23% of the total transactions in Ho Chi Minh City in 2016, the largest proportion out of all developers. In late 2016, the company diversified into landed properties and hospitality sector and achieved impressive performance. This further secures its earnings in the next three years.

Novaland sold 6,700 units in 2015 and expected 8,000 units in 2016, consistently consolidating its leading position. In terms of the financial performance, the company expects 270% earnings growth in 2016 vs. the low-base 2015 and 91% growth in 2017. This guidance is well secured by strong pre-sales in 2015-2016.

Novaland went listed on HSX on 28 December 2016 after successfully selling the 10% stake through its IPO, raising VND2,700bn. The company has the market cap of US$1.5bn, ranked in the top 15 largest listed companies in Vietnam.

10. VIETCOMBANK

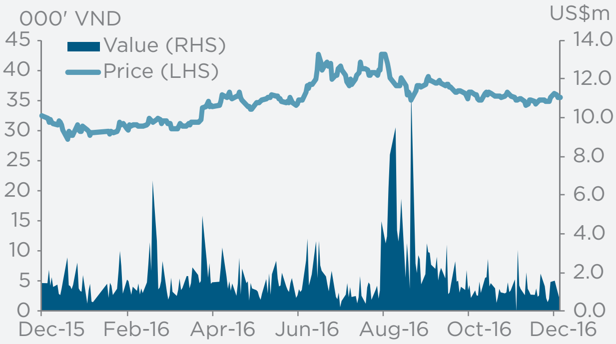
Established in 1963 as a state-owned commercial bank with an aim to specialise in foreign trade, Vietcombank is now the Vietnam's largest financial institution by market capitalisation and one of the four leading state-owned commercial banks in Vietnam. Vietcombank maintains a network of 460 branches and sub-branches across Vietnam and overseas and employs more than 15,600 people.

In 2016, Vietcombank's PBT and NPAT recorded strong yoy growth of 24.8% and 28.5%, respectively, driven by strong loan growth, higher NIM (2.55% vs. 2.48% in 2015) and only a slight increase in provision expense. In absolute amounts, PBT reached VND8.5trn (US$378m) and NPAT reached VND6.8trn (US$302m).

Retail lending was still a focus in 2016 as individual loans grew 50%, which improved loan yields from 9.0% in 2015 to 9.1% in 2016. However, in 2016, banks are pushing deposits to meet the stricter regulatory ratios. As a result, deposit costs slightly increased, and to some extent, offset the impact of higher loan yields.

A great achievement for Vietcombank in 2016 was its active clearing of bad debts: it is the first bank to fully provision for VAMC bonds whose balance has come down to zero and there will be no more VAMC provision going forward. Besides, significant write-offs bad debts resulted in lower NPL level of 1.48% for year-end 2016 compared with 2.01% in 2015. Undoubtedly, Vietcombank has the best asset quality among Vietnam's banking sector.

STOCK PRICE



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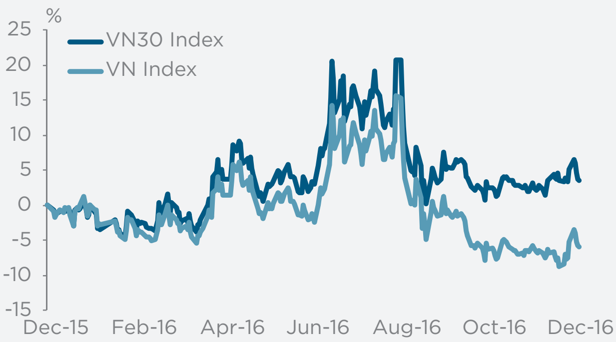


Source: Dragon Capital, Bloomberg

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors is committed to high standards of corporate governance and has put in place a framework for corporate governance which it believes is appropriate for an investment company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODES

VEIL is a member of the Association of Investment Companies (the "AIC") which has published the AIC Code of Corporate Governance (the "AIC Code"). The AIC Code, as explained by the AIC's Corporate Governance Guide for Investment Companies (the "AIC Guide") addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to VEIL as an investment company. The VEIL Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), is appropriate for VEIL and its shareholders and therefore adheres to the principles and follows the recommendations of the AIC Code and, where appropriate, explains why it deviates and/or details the steps it intends to take to bring VEIL into line in the future.

The AIC Corporate Governance Guide and AIC Code can be found at www.theaic.co.uk/members. VEIL complied with the provisions of the AIC Guide and the AIC Code since its listing on the Main Market of the London Stock Exchange on 5 July 2017. The AIC Code is made up of twenty-one principles split into three sections covering the Board, Board meetings and relations with the Investment Manager and Shareholder Communications.

For the period from 5 July 2017 to 31 December 2017, VEIL has complied with the recommendations of the AIC Code and as such also meets the requirements of the UK Code except to the extent highlighted below:

- The role of the chief executive;
- Executive Directors' remuneration; and
- The need for internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of VEIL, being an externally managed investment company. In particular, all of the VEIL's day-to-day management and administrative functions are outsourced to third parties. As a result, VEIL has no executive directors, direct employees or internal operations. VEIL has therefore not reported further in respect of these provisions.

VEIL complies with the corporate governance statement requirements pursuant to the UK Financial Conduct Authority's ("FCA") Disclosure and Transparency Rules by virtue of the information included in the corporate governance section of the annual report.

The Board believes that this annual report and financial statements present a fair, balanced and understandable assessment of the VEIL's position and prospects, and provides the information necessary for shareholders to assess the VEIL's performance, business model, strategy, principal risks and uncertainties.

DIRECTORS

The following were Directors during the year to 31 December 2016 and to the date of this report:

Wolfgang Bertelsmeier	Chairman
Stanley Chou	Senior Independent Non-Executive Director
Marc Faber	Independent Non-Executive Director
Derek Loh	Independent Non-Executive Director
Gordon Lawson	Independent Non-Executive Director
Dominic Scriven	Non-Executive Director

The Board consists of six Non-Executive Directors, five of whom are independent of the Investment Manager, whose individual knowledge and experience provide a balance of skills and expertise relevant to VEIL and it is considered that they commit sufficient time to the VEIL's affairs. The biographical details of the Directors are provided on pages 29 to 30.

Susie Rippingall and Farida Khambata resigned on 26 January 2016. Marc Faber and Stanley Chou were newly appointed as the Independent Non-executive Directors from 26 January 2016.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTORS (CONTINUED)

The Chairman, Wolfgang Bertelsmeier, is non-executive and independent of the Investment Manager. The Chairman leads and ensures the effectiveness of the Board in all matters relating to the Company, including receiving accurate and timely information. There is a clear separation of roles and responsibilities between the Chairman, the Audit Committee Chairman, Chairman of the Management Engagement, Nomination & Remuneration Committee, Directors, the Investment Manager and VEIL's third party service providers.

Dominic Scriven is the Executive Chairman of Dragon Capital Group Limited, the parent of the Investment Manager. He is, therefore, not an independent Director. There are no Executive Directors on the Board.

Details of the individual board remuneration of Directors and their beneficial interests in VEIL as well of Board Committees and their composition are disclosed on pages 17 to 26. Please note that Dominic Scriven does not participate in the Audit Committee or the Management Engagement, Nomination & Remuneration Committee.

New Directors are provided with an induction programme with is tailored to the particular circumstances of the appointee. Following the appointment, the Chairman reviews and agrees with Directors their training and development needs covering specific VEIL matters as well as industry issues.

The Board is supplied, via the Investment Manager, with information to enable the Directors to discharge their duties. The Investment Manager, with the support of VEIL's legal advisers, provides the Board with regular updates on regulatory issues and on the latest corporate governance rules and regulations.

DIRECTORS' DUTIES AND RESPONSIBILITIES

The Directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure;
- Strategic matters and financial reporting;
- Board composition and accountability to shareholders;
- Risk assessment and management, including reporting, compliance, monitoring, governance and control; and
- Other matters having material effects on VEIL.

These reserved powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Board meets at least quarterly. Each meeting is attended by representatives from the Investment Manager. Representatives from the Investment Manager are also in attendance for relevant committee meetings. Open, constructive debate and discussion are encouraged by the Chairman to ensure that the best interests of VEIL are maintained.

The Board has standing agenda items for quarterly scheduled Board meetings and periodic Management Engagement, Nomination & Remuneration Committee meetings to review the Investment Manager's performance, risk management and other matters relating to the operations and regulation of VEIL. This includes review the portfolio performance, attribution analysis, contributors and detractors to performance, weightings and portfolio information including purchases and sales.

The Board also performs a review of share price performance, discount and share buy backs against policy as well as credit facilities.

The Board sets the overall VEIL strategy and regularly reviews the progress to ensure that its goals and objectives are being met.

The Board continually monitors the share price discount to NAV daily and exercises its right to buy back shares when the Board considers that is in shareholders' interests to do so.

The matter is reviewed at each quarterly Board meeting with the Directors receiving updates from the Investment Manager which includes updates from VEIL's corporate broker.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD AND COMMITTEES

The Board has established two committees, the Audit Committee and Management Engagement, Nomination & Remuneration Committee. The responsibilities of two Committees are described below. Dominic Scriven does not participate in the Audit Committee or the Management Engagement, Nomination & Remuneration Committee.

AUDIT COMMITTEE

The Audit Committee, since listing of VEIL on the Main Market of the London Stock Exchange on 5 July 2016, comprises:

Stanley Chou, Chairman

Gordon Lawson

Derek Loh

The detailed information on the Audit Committee can be found in the Report of the Audit Committee on pages 27 to 28.

MANAGEMENT ENGAGEMENT, NOMINATION & REMUNERATION COMMITTEE

The Management Engagement, Nomination & Remuneration Committee was formed on listing of VEIL on the Main Market of the London Stock Exchange on 5 July 2016 and comprises:

Marc Faber, Chairman

Wolfgang Bertelsmeier

Derek Loh

The Management Engagement, Nomination & Remuneration Committee performs an annual review of the Directors' skills, experience, gender, length of service and knowledge of VEIL.

The skills, experience and length of service of each Director are detailed in the Directors' biographies on pages 29 to 30. The selection policy of the Board is to appoint the best qualified for the job, by considering factors such as diversity of thought, experience and qualification.

The Board is satisfied that the current blend of skills and experience prompts informed decision making and does not deem it necessary to alter the mix at present. When the composition of the Board requires review, female candidates will be encouraged to apply and progress in relation to diversity will be actively monitored.

The Management Engagement, Nomination & Remuneration Committee periodically reviews the level of Directors' fees relative to other comparable companies and in the light of the Directors' responsibilities. In doing so, the Committee has access to independent research.

The Board's policy is that the remuneration of Non-Executive Directors should reflect the responsibilities of the Board, the experience of the Board as a whole and be fair and comparable to that of other investment companies of similar in size, capital structure and investment objective. Details of Directors' remuneration can be found on page 20 and in Note 12 to the financial statements. Directors' interest (including interests of connected persons) can found on pages 32 to 33.

The Management Engagement, Nomination & Remuneration Committee, which is entirely comprised of independent Directors, regularly reviews the Board structure, size and composition and makes recommendations to the Board with regard to any adjustments that seem appropriate, to consider the rotation and renewal of the Board, approved the candidate specification for all Board appointments, approve the process by which suitable candidates are identified and short-listed, and to nominate candidates for consideration by the full Board, whose responsibility is to formally make appointments.

Independence is maintained as five of the six Non-Executive Directors on the Board, as at the date of this annual report, are independent of the Investment Manager.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

MANAGEMENT ENGAGEMENT, NOMINATION & REMUNERATION COMMITTEE (CONTINUED)

The Board considers the arrangements for the provision of investment management services to VEIL on an on-going basis and a formal review is conducted annually by the Management Engagement, Nomination & Remuneration Committee which consists solely of Directors independent of the Investment Manager. The review considers investment strategy, investment process, performance and risk and is carried out through meetings between the Management Engagement, Nomination & Remuneration Committee and the Investment Manager. As part of this review, the Board considered the quality and continuity of the personnel assigned to handle the VEIL'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.

The Management Engagement, Nomination & Remuneration Committee considers the performance of all VEIL's third party service providers at least annually as part of its evaluation of the duration of service, as well as the level and structure of fees. Fees are benchmarked against competitor companies to ensure they are competitive in nature. Additionally, the Board reviews periodical assessments of selected service providers such as the Administrator and Custodian. The Directors are satisfied with the quality of the administrative and other services provided by the Administrator and Custodian.

DIRECTORS' REMUNERATION REPORT

The Management Engagement, Nominations & Remuneration Committee, which comprises Marc Faber (Chairman of the Committee), Wolfgang Bertelsmeier and Derek Loh, is responsible determining the level of Directors' fees. The terms of reference are available on request. The Board has prepared this Remuneration Report duly considering the recommendations of the AIC Code.

This part of the Remuneration Report provides details of VEIL's Remuneration Policy for Directors. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Management Engagement, Nomination & Remuneration Committee.

The Directors are non-executive and their fees are set within the limits of VEIL's articles of association which limit the aggregate fees payable to the Board of Directors per annum, currently US$ 200,000. The level of cap may be increased by shareholder's resolution from time to time. Subject to this overall limit, the Board's policy is that the remuneration of Non-Executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts and companies that are similar in size, have a similar capital structure and have a similar investment objective. No shareholder views were sought in setting the remuneration policy although any comments received from shareholders would be considered on an on-going basis.

Fee rates were established in reference to current market levels.

	US$ per annum
Member of Board only	25,000
Chairman of the Board	10,000
Chairman of the Audit Committee	5,000
Member of the Audit Committee	2,500
Chairman of the Management Engagement, Nomination & Remuneration Committee	5,000
Member of the Management Engagement, Nomination & Remuneration Committee	2,500

BOARD INDEPENDENCE, COMPOSITION AND DIVERSITY

The Board supports the principle of boardroom diversity. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thoughts, experience and qualification for the effective conduct of VEIL's business. New appointments are identified against the requirements of VEIL's business and the need to have a balanced Board.

At 31 December 2016, the Board consisted of five Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTORS' APPOINTMENT AND POLICY ON PAYMENT OF LOSS OF OFFICE

Each of the Directors has an appointment letter with VEIL. The terms of the appointment provide that a Director will be subject to re-election at each AGM. A Director may be removed from office following three months' notice.

The Board does not have a formal policy requiring Directors to stand down after a certain period. The Board has a Management Engagement, Nomination & Remuneration Committee which regularly reviews the Board structure, size, gender and composition and makes recommendations to the Board with regard to any adjustment that seems appropriate.

Directors' & Officers' liability insurance cover is maintained by VEIL on behalf of the Directors.

Appointment

- All the Directors are non-executive, appointed under the terms of Letters of Appointment.
- Directors will be subject to election at the first AGM after their appointment and to re-election annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently US$25,000).
- No incentive or introductory fees will be paid to encourage a directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long term incentive schemes or other benefits.
- VEIL indemnifies Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of VEIL.

Performance, service contracts, compensation and loss of office

- Performance, service contracts, compensation and loss of office.
- No Director has a service contract.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment of any assets of VEIL.

RE-ELECTION OF DIRECTORS

All Directors stand for re-election annually at the AGM.

The Management Engagement, Nomination & Remuneration Committee considers the effectiveness of individual directors and makes recommendations to the Board in respect of re-elections. The Committee keeps under review the balance of skills, independence, gender, knowledge of VEIL, experience and length of service of the Directors.

CONFLICT OF INTERESTS

The Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the VEIL's interests. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process. Directors are required to disclose all actual and potential conflicts of interest to the Chairman in advance of any proposed external appointment.

In deciding whether to approve an individual Director's participation, the other Directors will act in a way they consider to be in good faith in assessing the materiality of the conflict in accordance with the VEIL's Restated and Amended Memorandum and Articles of Association.

The Board believes that its powers of authorisation of conflicts of interest have operated effectively. The Board also confirms that its procedure for the approval of conflicts of interest, if any, has been followed by the Directors. None of the Directors had a material interest in any contract which is significant to the VEIL's business. Directors' holdings in VEIL can be found within the Report of the Board of Directors on pages 32 to 34.

PERFORMANCE EVALUATION

The Board undertakes an annual evaluation of its own performance and that of its committees and individual directors including the Chairman. The Board also considers the independence of each Director.

The Board is satisfied that the performance of each committee and individual director including the Chairman is effective and they demonstrate commitment to their role.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INDUCTION/INFORMATION AND PROFESSIONAL DEVELOPMENT

Directors are provided, on a regular basis, with key information on the VEIL's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice from, amongst others, the Company Secretary and the Auditor. Advisers to VEIL also prepare reports for the Board from time to time on relevant topics and issues.

When a new Director is appointed to the Board, they will be provided with all relevant information regarding VEIL and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Managers in order to learn more about their processes and procedures. Stanley Chou and Marc Faber were appointed on 26 January 2016.

ATTENDANCE AT SCHEDULED MEETINGS OF THE BOARD AND ITS COMMITTEES FOR THE YEAR

The table below lists the number of board and committee meetings by each Director. During the year, there were six board meetings, two Audit Committee meetings and one Management Engagement, Nomination & Remuneration Committee meeting:

Director	Board Meetings Attended	Audit Committee Attended	Management Engagement, Nomination& Remuneration Committee Attended (*)
Wolfgang Bertelsmeier	6/6	n/a	1/1
Stanley Chou	6/6	2/2	1/1
Marc Faber	6/6	n/a	1/1
Derek Loh	6/6	2/2	n/a
Gordon Lawson	5/6	2/2	n/a
Dominic Scriven	4/6	n/a	n/a

(*) Prior to the London listing of VEIL on 5 July 2016, the Management Engagement, Nomination & Remuneration Committee was the Governance, Nomination & Remuneration Committee.

RELATIONSHIP WITH THE INVESTMENT MANAGER, THE COMPANY SECRETARY AND THE ADMINISTRATOR

The Board has delegated various duties to external parties including the management of the investment portfolio, the custodial services (including the safeguarding of assets), the registration services and the day-to-day company secretarial, administration and accounting services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of VEIL.

Investment Manager

Enterprise Investment Management Limited (The "Investment Manager") provides investment management and advisory services to VEIL in accordance with the terms of an investment management agreement dated 23 May 2016 between VEIL and the Investment Manager (the "Investment Management Agreement").

Under the Investment Management Agreement, the Investment Manager is entitled to receive a monthly management fee for its services, which accrues daily based on the prevailing Net Asset Value at the rate of two per cent per annum. The Investment Manager is not entitled to a performance fee.

The Investment Manager's appointment will continue until terminated under the provisions of the Investment Management Agreement. VEIL has a right to terminate the Investment Management Agreement giving 24 months' notice in writing to the Investment Manager, such notice not to expire earlier than 5 July 2019. The Investment Management Agreement may also be terminated with immediate effect on the occurrence of certain events, including insolvency or material and continuing breach.

The Board continues to believe that in light of the VEIL's strategy and performance, the appointment of the Investment Manager on the terms set out above and in Note 12 to the financial statements is in the interest of the VEIL's shareholders as a whole.

Both the Board and the Investment Manager have formalised agreements and have a clear understanding of the operational policies laid out between the parties.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RELATIONSHIP WITH THE INVESTMENT MANAGER, THE COMPANY SECRETARY AND THE ADMINISTRATOR (CONTINUED)

These rules are detailed in a number of ways – with the Investment Management Agreement or through other policies such as discount management.

The Board is ultimately responsible for ensuring that a sound system of internal controls of VEIL is maintained to safeguard shareholders' investment and VEIL's assets.

The Audit Committee undertakes an annual review of the effectiveness of VEIL's system of internal controls and the Directors believe that an appropriate framework is in place to meet the requirement of ensuring a sound system of internal controls is in place by VEIL.

Furthermore, the Board has an on-going process for identifying, evaluating and managing risks to which VEIL is exposed including those contained within the performance of the investment management activities. The key risks facing VEIL are disclosed in Note 15 to the financial statements. These risks are monitored as part of the normal oversight process. Risk management and the operation of the internal control systems within VEIL 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 VEIL's assets. The systems of internal control operated by VEIL 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.

The Board receives and considers reports regularly from the Investment Managers, with ad hoc reports and information supplied to the Board as required. The Investment Managers take decisions as to the purchase and sale of individual investments, within the delegated authority established by the Board. The Investment Managers comply with the risk limits as determined by the Board and have systems in place to monitor cash flow and the liquidity risk of VEIL.

The Investment Managers and Standard Chartered Bank (the "Administrator") also ensure that all Directors receive, in a timely manner, all relevant financial information about VEIL's portfolio. Representatives of the Investment Managers, Corporate Broker and Compliance Advisor attend each Board meeting as required, enabling the Directors to probe further on matters of concern. The Directors have access to the advice and service of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Investment Managers and the Advisers operate in a supportive, co-operative and open environment.

At each Board meeting, a representative of the Investment Manager is in attendance to present verbal and written reports covering its activity, the portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. The Investment Manager ensures that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Investment Manager contacts the Board as required for specific guidance on particular issues.

Administrator and Offshore Custodian

Custody and settlement services are undertaken by Standard Chartered Bank. The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. The Investment Manager follows a proxy voting policy when voting, which provides for certain matters to be reviewed on a case by case basis.

Proxy voting is an important part of the corporate governance process, and the Investment Manager views its obligation to manage the voting rights of the shares in investee companies seriously as it would manage any other asset. Consequently, votes are cast both diligently and prudently, based on its reasonable judgment of what will best serve the financial considerations of VEIL. So far, as is practicable, the Investment Manager votes at all of the meetings called by companies in which VEIL is invested. In order to do this, the Investment Manager agrees its 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 its proxy voting decisions, although they are equally cast on a case-by-case basis, taking into account the individual circumstances of each vote.

Company Secretary

VEIL appointed Maples Secretaries (Cayman) Limited as Company Secretary with effect from 21 October 2013.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

SHAREHOLDER ENGAGEMENT

The Board believes that the maintenance of good relations with Shareholders is important for the long-term prospects of VEIL. It has, since admission, sought engagement with Shareholders. Where appropriate the Chairman and other Directors are available for discussion about governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board.

The Board receives monthly analysis of beneficial shareholders of VEIL. During the year, the Investment Manager has periodic meetings with larger shareholders to discuss aspects of VEIL's performance. The Directors are made fully aware of their views.

The Chairman and Directors make themselves available as and when required to address shareholder queries. Shareholders wishing to raise questions are encouraged to write to the Company's Administrator at the address shown on page 69 or contact the Investment Manager using the contact details also provided on page 69.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board, and encourages participation. The AGM will be attended by at least one Director. There is an opportunity for individual shareholders to question the Directors at the AGM. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will be posted on the VEIL's website following the meeting.

The Board actively leads or participates in discussions on, or approves the content of, all significant external communications. During this process, relevant stakeholders such as the Investment Manager, auditor, legal advisers and corporate broker are engaged as and when required.

The Board aims to keep shareholders informed and up to date with information about VEIL. This includes information contained within the annual report and semi-annual report, monthly reports, weekly reports as well as notices of any significant events to registered shareholders.

VEIL also releases information through the stock exchange. VEIL's website (www.veil-dragoncapital.com) displays the latest news, price and performance information and portfolio details. Via the website, shareholders also have the opportunity to have the latest VEIL information downloaded from the website.

INTERNAL AUDIT

VEIL does not have its own internal audit function but places reliance on the internal audit, compliance and other control functions of its service providers.

INTERNAL CONTROL

The Audit Committee is responsible for reviewing the effectiveness of the VEIL's system of internal control. The Board reviews the ongoing processes for identifying, evaluation and monitoring the significant risks faced by VEIL.

The detailed information on the risk management and internal controls in relation to the VEIL's financial reporting process can be found in the Report of the Audit Committee on pages 27 to 28.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties identified by the Board, together with the way in which the Board seeks to manage those risks, can be found in Note 15 to the financial statements.

ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") took place at the VEIL's operating office 1501 Me Linh Point, 2 Ngo Duc Ke, District 1, Ho Chi Minh City, Vietnam on 7 December 2016 at 11:00am (Vietnam time).

The Extraordinary General Meeting took place at the VEIL's representative office at 23rd Floor, 399 Interchange Building, Sukhumvit Road, Klongtoey-Nua, Wattana, Bangkok, 10110 Thailand on on 21 June 2016 at 11:00am (Thailand time).

The result of the two Meetings can be found on page 31.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

AUTHORITY TO SHARE BUY BACKS AND DISCOUNT

The shareholders approved at VEIL's AGM on 7 December 2016 a special resolution to undertake share purchases up to a maximum amount equal to 14.99 per cent. of the issued share capital.

The Directors' intention is to implement an active discount management policy if they believe it to be in Shareholders' interests as a whole and as a means of correcting any imbalance between the supply of and demand for the Company's Shares. The Company therefore announced on 17 February 2017 the commencement of a Share buy-back programme (the "Programme") and appointed Jefferies International Limited to manage the Programme.

The Directors will only make such repurchases through the market at prices (after allowing for costs) below the relevant prevailing NAV per Share under the guidelines established from time to time by the Board. Purchases of Shares may be made only in accordance with Cayman law, the Disclosure Guidance and Transparency Rules and the authority granted by Shareholders at the Company's Annual General Meeting on 7 December 2016.

Under the FCA Listing Rules, the maximum price that may be paid by the Company on the repurchase of any Shares pursuant to a general authority is 105 per cent. of the average of the middle market quotations for the Shares for the five business days immediately preceding the date of purchase or, if higher, that stipulated by regulatory technical standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014.

Shares repurchased by the Company may be cancelled or held in treasury (up to a maximum of 10 per cent. of the total number of issued Shares at any time may be held in treasury). Shares may be re-issued from treasury but, unless previously approved by Shareholders, will not be issued at a price which, taking account of issue expenses, would be less than the last reported NAV per Share.

A buy-back of Shares pursuant to the Programme on any trading day may represent a significant proportion of the daily trading volume in the Shares on the Main Market of the London Stock Exchange plc (and could exceed the 25% limit of the average daily trading volume of the preceding 20 business days as referred to in the Commission Delegated Regulation (EU) No. 2016/1052 on buy-back programmes).

Any purchase of Shares by the Company will be notified by an announcement through a Regulatory Information Service by no later than 7.30 a.m. on the following business day.

Shareholders should note that the purchase of Shares by the Company is at the absolute discretion of the Directors and is subject, amongst other things, to the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

MANAGEMENT SHARES

Dragon Capital Limited holds 1,000 management shares.

The management shares shall not be redeemed by VEIL, 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 VEIL, but only after the return of nominal capital paid up on ordinary shares. The management shares each carry one vote on a poll. Subject always to the requirements of the rules of any exchange on which the VEIL's shares may be trading from time to time, the holders of the management shares have the right to appoint two individuals to the Board.

SUBSTANTIAL SHAREHOLDINGS

As at 31 December 2016, VEIL had been notified that the following were interested in 5% or more of the issued capital of VEIL:

Name	Number of shares	%
Bill & Melinda Gates Foundation Trust	25,049,173	11.34

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RESPONSIBLE INVESTMENT

The Investment Manager has a long-standing commitment to responsible investment and recognises that environmental, social and governance ("ESG") issues can influence investment risk and thus portfolio performance. The Investment Manager, therefore, seeks to optimise risk-adjusted performance by integrating ESG considerations into its investment process.

With investing activities that are centred principally on Vietnam, and extend to other Asian frontier markets, the Investment Manager acknowledges that its operations have inherent ESG risks. These stem from economies with large natural resource sectors and extensive agribusiness exports, and from conglomerate corporate structures that exist in a nascent governance environment.

ESG policy and ESG management system procedure:
In 2015, the Investment Manager upgraded its ESG policy and developed a new ESG Management System ("ESGM") for public equity. The ESGM has been a joint effort of IFC's ESG team and the Investment Manager.

The purpose of its ESG policy is to ensure that the assets managed by the Investment Manager are not placed in companies that violate locally and internationally-recognised norms for labour practices, health and safety standards, pollution avoidance, large-scale physical resettlement, commercial logging in primary moist forests, harvesting of wild fish populations, and impacts on indigenous peoples and cultural heritage.

The Investment Manager's ESGM approach engages investees on identified risks and allows investees to address their ESG issues and improve performance to meet the Investment Manager's standards and ESG commitments. Investee companies must meet the Investment Manager's requirements, as outlined in its ESG policy. All potential investee companies are first pre-screened on their suitability against the IFC Exclusion List extended by additional 'no-go' activities, the national E&S laws and regulations, and the objectives of the IFC Performance Standards ("Performance Standards").

If the proposed investment is deemed eligible, the ESGM will screen it to establish the environmental and social performance of the investee company using a checklist aligned to the Performance Standards. An inherent E&S risk category, and managed risk ratings, will be assigned to each investee company, reflecting the evidence available to establish the extent to which the requirements of the national laws and IFC Performance Standards requirements are met. The purpose of assessing the managed risk is to enable the Investment Manager to make informed decisions about investing in new projects, and management of the portfolio. For corporate governance, the Investment Manager has adopted the Vietnam Corporate Governance Scorecard to assess the investee's governance practices and to identify opportunities for systematic improvement.

Monitoring is an integral part of the Investment Manager's ESG risk management process. The purpose of monitoring an investee's ESG performance is to assess existing and emerging ESG risks associated with the investee's operations, and to identify opportunities to reduce risk and improve ESG performance during the duration of investment transactions.

Fully integrated approach

At the core of the Investment Manager's ESGM lies the systematic management of ESG risks throughout the investment appraisal and management processes. The ESG risk management framework is integrated into the Investment Manager's overall organisational structure, planning activities, responsibilities, practices, procedures, processes and resources. Responsibility for incorporating ESG risks into investment decisions is embedded across the research platform.

The responsible investment strategy and activities are overseen by the ESG core team, which comprises a cross-section of the Investment Manager's senior directors. The Investment Manager's dedicated ESG core team will support analysts through access to additional ESG-related information, analysis and training, and enhancements to processes and documentation, as appropriate. External consultants may be retained.

The Investment Manager's ESG Policy is available on our website:
http://www.dragoncapital.com/about-us/corporate-social-responsability/

GREENHOUSE GAS EMISSIONS

The Investment Manager is conscious of the effects it has on the environment and the positive difference it can make to its communities. It is of paramount importance to the Investment Manager that it is not only conscious of this, but take action to do all it can to make a positive contribution. To help combat global warming, the Investment Manager 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. 745,000 persons in 53 provinces in Vietnam benefit from the project and 519,949 tonnes of CO_2 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).

REPORT OF THE AUDIT COMMITTEE

COMPOSITION

The Audit Committee, since listing of the Company on the Main Market of the London Stock Exchange on 5 July 2016, comprises Stanley Chou, Gordon Lawson and Derek Loh. All of them are the Independent, Non-executive Directors. The current Chairman of the Audit Committee is Stanley Chou, who became Chairman of the Audit Committee on 5 July 2016. The chairman has the responsibility of liaising with the Board.

The Audit Committee met twice during the year under review. The table on page 22 lists the number of the Audit Committee meetings by each Director. The Company's auditors are invited to attend meetings as necessary.

In the opinion of the Board, the Audit Committee of the Company complies with the recommendations and requirements of the AIC code since the listing on the Main Market of the London Stock Exchange on 5 July 2017.

ROLE AND RESPONSIBILITIES

The role of the Audit Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the auditors. The responsibilities are set out in formal Terms of Reference which are regularly reviewed. In the year under review the main duties undertaken were:

Financial reporting

The Audit Committee monitored the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance and reviewed significant financial reporting issues and judgment which they contained. Where the Audit Committee was not satisfied with any aspect of the proposed financial reporting by the Company, it reported its views to the Board.

Internal controls and risk management systems

The Audit Committee reviewed the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and reviewed and approved the statements to be included in the annual report concerning internal controls and risk management.

External audit

The Audit Committee:

- Made recommendations to the Board, for it to put to the Shareholders for their approval at a general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- Monitored and reviewed the external auditor's independence and objectivity, taking into consideration relevant UK and other relevant professional and regulatory requirements, in order to satisfy itself that there are no relationships between the external auditor and the Company and/or the Investment Manager (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- Assumed responsibility for making recommendations on the level of remuneration of the external auditor, including fees for audit and non-audit services, to ensure that the level of fees is appropriate to enable an effective and high quality audit;
- Approved the terms of engagement of any external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;
- Monitored the external auditor's compliance with the relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- Assessed the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process;
- Evaluated the risks to the quality and effectiveness of the financial reporting process;
- Reviewed and approved the annual audit plan with the external auditor and ensured that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- Reviewed the findings of the audit with the external auditor, including discussing the major issues that arose during the audit, the key accounting and audit judgements, the levels of errors identified during the audit and the effectiveness of the audit process; and
- Met with the auditors at least once a year to discuss any key issues arising from the audit and/or review.

REPORT OF THE AUDIT COMMITTEE (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROLS IN RELATION TO THE COMPANY'S FINANCIAL REPORTING PROCESS

The Audit Committee is responsible for reviewing the effectiveness of the Company's system of internal control. The Board reviews the ongoing processes for identifying, evaluation and monitoring the significant risks faced by the Company.

This process, together with key procedures established with a view to providing effective financial control, has been in place throughout the year ended 31 December 2016. The Board recognises that these control systems can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss.

Risk assessment and the review of internal controls are undertaken by the Audit Committee, in the context of the Company's overall investment objective. The review covers the key business, operational, compliance and financial risks facing the Company.

Given the nature of the Company's activities and the fact that most functions are sub-contracted, the Directors have obtained information from key third party suppliers regarding the controls operated by them in order to enable the Board to make an appropriate risk and control assessment.

The Board has reviewed the scope of the Audit Committee and is satisfied that all risks to which the Company is subject are appropriately managed.

EXTERNAL AUDITOR

The Audit Committee reviews and makes recommendations to the Board with regard to the reappointment of the external auditor, taking into account its qualifications, expertise and resources, independence and the effectiveness of the external audit process. KPMG Limited ("KPMG") was first appointed as the Company's external auditor since 2008 and during the audit tenure from 2008 to 2016, three audit partners have been rotated to perform the service.

KPMG rotation policies are consistent with the IESBA Code of Ethics and require the firm to comply with any stricter applicable rotation requirements. The firm partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit.

KPMG also has policies, which are consistent with IESBA principles and applicable laws and regulations, which address the scope of services that can be provided to audit clients. KPMG policies require the audit engagement partner to evaluate the threats arising from the provision of non-audit services and the safeguards available to address those threats.

In order to safeguard auditors' independence and objectivity, the Company did not engage KPMG for any non-audit services except where it is work that they are clearly best suited to perform. Fees paid to KPMG for audit, audit-related and other services are set out in Note 12 to the financial statements and summarised below.

	2016 US$	2015 US$
Audit fee	69,000	48,000
Listing advisory fee (led by KPMG UK)	149,450	-
Total	218,450	48,000

The Audit Committee reviews the effectiveness of the audit provided by KPMG on an annual basis and remains satisfied with the effectiveness of the audit based on their performance. On the basis of the auditor's performance the Audit Committee recommended their continuing appointment to the Board with no tender necessary. The auditors have indicated their willingness to continue in office. Accordingly, resolutions to confirm the appointment of KPMG as auditors to the Company and to authorise the Directors to determine their remuneration will be proposed at the next AGM.

Stanley Chou
Chairman of the Audit Committee

THE BOARD OF DIRECTORS

CHAIRMAN - INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed July 2009)

Wolfgang Bertelsmeier

Educated at Frankfurt and Poitiers Universities, Wolfgang worked in various financial institutions before joining the World Bank's IFC, serving in Southeast Asian and other emerging markets. He sits on the boards of companies in Europe and Africa.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed January 2016)

Stanley Chou

Stanley Chou is managing director of investment advisory companies Lufin Asia Pacific Ltd and SCA International Ltd. He also helped found Victory Fund, a Luxembourg-based equity fund. He has been investing in Vietnam since 2005.

INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed January 2016)

Marc Faber

A well-known economist and contrarian investor, Dr Faber formed investment advisory and fund management company Marc Faber Ltd in 1990. He publishes the widely-read The Gloom, Boom & Doom Report and has written several influential books.

THE BOARD OF DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed July 2014)

Gordon Lawson

Educated at Birmingham University, Gordon worked with Salomon Brothers/ Citigroup, London before founding Pendragon in 1996. He later became Chairman of Indochina Capital Vietnam plc. He is an advisor and director of various companies.

INDEPENDENT NON-EXECUTIVE DIRECTOR
(Appointed March 2011)

Derek Loh

A director with TSMP Law Corporation Singapore, Derek practices construction and engineering law. He also sits on the boards of various Singapore-listed companies including Vibrant Group Ltd where he chairs the Remuneration and Nomination Committees.

NON-EXECUTIVE DIRECTOR
(Appointed May 1995)

Dominic Scriven

UK-born Dominic founded Dragon Capital in 1994. Fluent in Vietnamese, he promotes the capital markets of Vietnam internationally, and is a director of various Vietnamese public companies. His interests range from Vietnamese art to eliminating the illegal trade in wildlife.

EXTRAORDINARY AND ANNUAL GENERAL MEETINGS

EXTRAORDINARY GENERAL MEETING SUMMARY

21 June 2016
Special resolution

1) That, the Proposals as defined and described in the circular to shareholders of the Company dated 23 May 2016 (the "Circular") be approved and, without prejudice to the generality of the foregoing, IT IS RESOLVED by special resolution:

   That the delisting of the redeemable ordinary shares of US$0.01 each in the capital of the Company (the "Shares") from the main securities market of the Irish Stock Exchange be approved;

   That the admission of the Shares to the premium segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities operated by the London Stock Exchange ("Admission") be approved;

   That the investment objective and policy of the Company be restated with effect from Admission in the form set out in Part 2 of the Circular;

   That the existing memorandum and articles of association of the Company be replaced in their entirety with a new memorandum and articles of association in the form laid before the meeting and signed by the chairman of the meeting for the purpose of identification, with effect from Admission; and

   That each of the directors of the Company and/or the company secretary be and hereby is authorised and instructed to do all such acts, and do all such things, as are necessary or expedient to give effect to the Proposals make such change effective.

The special resolution was passed by the required majority on a poll vote.

ANNUAL GENERAL MEETING SUMMARY

7 December 2016
Ordinary resolutions

1) To receive and adopt the audited financial statements for the year ended 31 December 2015 together with the auditor's and Directors' reports thereon;

2) To re-appoint KPMG Ltd of Vietnam as auditor of the Company for the ensuing year at a fee to be agreed by the Directors;

3) To elect Marc Faber as a Director of the Company;

4) To elect Stanley Yu-Chung Chou as a Director of the Company;

5) To re-elect Wolfgang Bertelsmeier as a Director of the Company;

6) To re-elect Derek Loh as a Director of the Company;

7) To re-elect Gordon William Lawson as a Director of the Company;

8) To re-elect Dominic Scriven as a Director of the Company;

Special resolution

9) That, as a special resolution the Company generally and unconditionally authorised to make market purchases of its ordinary shares of US$0.01 each provided that:

   (i) The maximum aggregate number of ordinary shares that may be purchased is 14.99% of issued share capital;

   (ii) The minimum price which may be paid for each ordinary share is US$0.01;

   (iii) The maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:

      (a) 105 per cent of the average market value of an ordinary share in the Company for the five business days prior to the day the purchase is made; and

      (b) The higher of the price of the last independent trade and the highest current independent bid as stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5 (6) of the Market Abuse Regulation; and

   (iv) The authority conferred by this resolution shall expire on 31 December 2017 or, if earlier, at the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

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

REPORT OF THE BOARD OF DIRECTORS

The Directors of Vietnam Enterprise Investments Limited (the "Company") present their report and the audited financial statements of the Company for the year ended 31 December 2016.

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 shares of the Company have been listed on the Main market of the London Stock Exchange since 5 July 2016 (until 4 July 2016: listed on the Irish Stock Exchange). The principal activity of the Company is investing directly or indirectly in a diversified portfolio of listed and unlisted securities in Vietnam.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 December 2016 and its financial position at that date are set out in the attached financial statements. The Directors have taken the decision not to pay a dividend in respect of the year ended 31 December 2016 (2015: Nil).

SHARE CAPITAL

In accordance with the Company's Restated and Amended Memorandum and Articles of Association (the "Articles") dated 21 June 2016, all issued Redeemable Shares of the Company have become Ordinary Shares. There were no movements in the Company's share capital during the year (Note 10). As at 31 December 2016, the Company had 220,920,746 Ordinary Shares and 1,000 Management Shares outstanding (31 December 2015: 220,920,746 Redeemable Shares and 1,000 Management Shares).

DIRECTORS

The Directors of the Company during the year were:

Wolfgang Bertelsmeier	Chairman
Stanley Chou	Senior Independent Non-Executive Director
Marc Faber	Independent Non-Executive Director
Derek Loh	Independent Non-Executive Director
Gordon Lawson	Independent Non-Executive Director
Dominic Scriven	Non-Executive Director

In accordance with Article 91 of the Articles, the Independent and Non-independent Non-executive Directors are required to submit themselves for re-election at the next occurring Annual General Meeting ("AGM"). All the Independent Non-executive Directors were duly re-appointed at the AGM held on 7 December 2016 following the expiry of their respective term. Dominic Scriven also submitted himself for re-election, even though the Articles does not explicitly require him to stand for election, and was duly re-appointed. Susie Rippingall and Farida Khambata resigned on 26 January 2016. Marc Faber and Stanley Chou were newly appointed as the Independent Non-executive Directors on 26 January 2016.

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, 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 Enterprise Investment Management Limited, the Investment Manager of the Company and Dragon Capital Markets Limited. As at 31 December 2016, Dragon Capital Markets Limited beneficially held 3,700,359 Ordinary Shares of the Company for investment and proprietary trading purposes (31 December 2015: 7,177,433 Redeemable Shares). Gordon Lawson, a Director of the Company, is a beneficial shareholder of the Company, holding 25,000 Ordinary Shares of the Company as at 31 December 2016 (31 December 2015: nil).

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.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS IN CONTRACTS

Dominic Scriven has indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited where he is a Director. 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

As at 31 December 2016, the Company's register of shareholders showed that the following shareholders held more than a 10% interest in the issued Ordinary Share capital of the Company.

Registered shareholders	Number of Ordinary Shares held	% of total Ordinary Shares in issue
Computershare Investor Services PLC (*)	220,920,746	100%
In which:		
• Bill & Melinda Gates Foundation Trust	25,049,173	11.34%

(*) On 17 June 2016, the Company appointed Computershare Investor Services PLC to act as depositary in respect of a facility for the issue of depositary interest representing the Company's Ordinary Shares.

SUBSEQUENT EVENTS

Details of the significant subsequent events of the Company are set out in Note 16 to the financial statements.

AUDITORS

KPMG Limited, Vietnam

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements of the Company are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and its cash flows for the year then ended. When preparing these 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 financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the 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 financial position of the Company. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS (CONTINUED)

The Directors confirm to the best of their knowledge that:

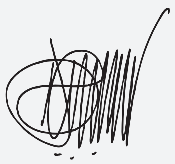
- the financial statements have been prepared in conformity with IFRS and give a true and fair view of the assets, liabilities, financial position and profit of the Company, and the undertakings included in the financial statements taken as a whole as required by the United Kingdom Listing Authority Disclosure and Transparency Rules ("DTR") 4.1.12R and are in compliance with the requirements set out in the Companies Law;
- the financial statements include a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R, which provide an indication of important events and a description of principal risks and uncertainties during the year;
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors hereby approves the accompanying financial statements which give a true and fair view of the financial position of the Company as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs.

By Order of the Board



Dominic Scriven, OBE
Director
Vietnam Enterprise Investments Limited
20 April 2017

INDEPENDENT AUDITORS' REPORT

KPMG Limited Branch
10th Floor, Sun Wah Tower
115 Nguyen Hue Street, Ben Nghe Ward
District 1, Ho Chi Minh City, Vietnam
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INDEPENDENT AUDITORS' REPORT

To the Shareholders
Vietnam Enterprise Investments Limited

We have audited the accompanying financial statements of Vietnam Enterprise Investments Limited ("the Company"), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in net assets attributable to holders of Ordinary/Redeemable Shares and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 39 to 68.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements issued by International Federation of Accountants (IFAC), and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KPMG

Valuation of unlisted securities investments	
See Note 5 and Note 15(d) to the financial statements	
The key audit matter	**How the matter was addressed in our audit**
Included in the Company and its subsidiaries' investment portfolio are unlisted securities investments of US$70,882,706 (7.12% of total investment portfolio) measured at fair value through profit or loss. The valuation techniques applied by the Company and its subsidiaries in valuing these investments are subjective and necessarily involve the selection of indicative broker price quotes or use of valuation models such as earnings multiples and discounted cash flows. Indicative broker price quotes may not represent prices traded in an active market, and the determination of the inputs applied in valuation models may be highly subjective. As a result there is a risk that the valuation techniques used by the Company and its subsidiaries in determining the fair value of these investments may not be appropriate and this is the key judgmental area that our audit focused on.	Our audit procedures in this area included among others: - understanding and evaluating the design and implementation of the processes and controls in place over unlisted securities investments valuation, including the review, challenge and subsequent approval of the valuation of unlisted investments; - obtaining broker price quotes from independent brokers; - involving our own valuation specialists to support our assessment of the valuation of the unlisted securities investments. In particular, we assessed the appropriateness of the valuation basis as well as underlying assumptions and the choice of benchmark for earnings multiples. We also compared key underlying financial data inputs to external sources, investee company accounts and management information as applicable; and - where a recent transaction had been used to value an unlisted securities investment, we considered whether it was transacted on an arms-length basis and suitable as an input into a valuation. Our work included consideration of events which occurred subsequent to the year end up until the date of this audit report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KPMG

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure or when, in extremely rare circumstances, we determine that a matter should not be communicated to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Tran Dinh Vinh.

KPMG Limited

KPMG Limited
Ho Chi Minh City, Vietnam
20 April 2017

VIETNAM ENTERPRISE INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	31 December 2016 US$	31 December 2015 US$	Change in %
CURRENT ASSETS				
Financial assets at fair value through profit or loss	5	995,759,344	804,732,800	
Other receivables		436,608	346,223	
Balance due from brokers	6	720,731	-	
Cash and cash equivalents	7	19,837,882	15,174,526	
		1,016,754,565	820,253,549	23.96
CURRENT LIABILITIES				
Borrowings	8	40,000,000	20,000,000	
Accounts payable and accruals	9	1,951,794	1,536,018	
Balances due to brokers	6	-	6,064,653	
		41,951,794	27,600,671	52.00
NET ASSETS		974,802,771	792,652,878	22.98
EQUITY				
Issued share capital	10	2,209,217	2,209,217	
Share premium	10	563,283,425	563,283,425	
Retained earnings		409,310,129	227,160,236	
TOTAL EQUITY		974,802,771	792,652,878	22.98
NUMBER OF ORDINARY/REDEEMABLE SHARES IN ISSUE	11	220,920,746	220,920,746	0.00
NET ASSET VALUE PER ORDINARY/REDEEMABLE SHARE	11	4.41	3.59	22.84

Approved by the Board of Directors on 20 April 2017.

Dominic Scriven, OBE
Director
Vietnam Enterprise Investments Limited

The accompanying notes are an integral part of these financial statements

VIETNAM ENTERPRISE INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US$	2015 US$
INCOME			
Bank interest income		47,210	101,805
Dividend income		7,582,111	6,925,393
Net changes in fair value of financial assets at fair value through profit or loss	5	162,976,600	(5,794,940)
Gains on disposals of investments		33,038,858	33,581,701
Other income		736,650	9,444
TOTAL INCOME		204,381,429	34,823,403
EXPENSES			
Administration fees	12	(967,680)	(460,545)
Custodian fees	12	(590,575)	(347,585)
Directors' fees	12	(176,712)	(155,000)
Management fees	12	(17,759,320)	(10,319,816)
Withholding taxes		(24,144)	(5,838)
Legal and professional fees	12	(1,610,626)	(296,649)
Other operating expenses		(983,281)	(650,184)
TOTAL EXPENSES		(22,112,338)	(12,235,617)
NET PROFIT BEFORE EXCHANGE LOSSES		182,269,091	22,587,786
EXCHANGE LOSSES			
Net foreign exchange losses		(119,198)	(333,596)
PROFIT BEFORE TAX		182,149,893	22,254,190
Income tax	13	-	-
NET PROFIT AFTER TAX FOR THE YEAR		182,149,893	22,254,190
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		182,149,893	22,254,190
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY/REDEEMABLE SHAREHOLDERS		182,149,893	22,254,190
BASIC EARNINGS PER ORDINARY/REDEEMABLE SHARE	14	0.82	0.15

The accompanying notes are an integral part of these financial statements

VIETNAM ENTERPRISE INVESTMENTS LIMITED

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF ORDINARY/REDEEMABLE SHARES

For the year ended 31 December 2016

	Issued share capital US$	Share premium US$	Retained earnings US$	Total US$
Balance at 1 January 2015	1,509,110	306,547,207	204,906,046	512,962,363
Total comprehensive income for the year:				
Net profit for the year	-	-	22,254,190	22,254,190
Transactions with shareholders, recognised directly in equity:				
Issuance of Redeemable Shares as a result of the Merger (Note 10)	775,981	277,950,958	-	278,726,939
Repurchase of Redeemable Shares	(75,874)	(21,214,740)	-	(21,290,614)
Balance at 1 January 2016	2,209,217	563,283,425	227,160,236	792,652,878
Total comprehensive income for the year:				
Net profit for the year	-	-	182,149,893	182,149,893
Balance at 31 December 2016	2,209,217	563,283,425	409,310,129	974,802,771

The accompanying notes are an integral part of these financial statements

VIETNAM ENTERPRISE INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 US$	2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		182,149,893	22,254,190
Adjustments for:			
Bank interest income		(47,210)	(101,805)
Dividend income		(7,582,111)	(6,925,393)
Net changes in fair value of financial assets at fair value through profit or loss		(162,976,600)	5,794,940
Gains on disposals of investments		(33,038,858)	(33,581,701)
		(21,494,886)	(12,559,769)
Net cash flow from/(to) subsidiaries carried at fair value		50,962,362	(14,302,551)
Changes in other receivables		(1,431,346)	-
Changes in balances due to brokers and accounts payable and accruals		(5,648,877)	4,677,529
		22,387,253	(22,184,791)
Proceeds from disposals of investments		80,210,782	122,985,058
Purchases of investments		(126,184,230)	(93,642,076)
Bank interest income received		8,202,341	101,805
Dividends received		47,210	6,715,619
Net cash generated from/(used in) operating activities		(15,336,644)	13,975,615
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		20,000,000	20,000,000
Repurchase of Redeemable Shares		-	(21,579,454)
Net cash used in financing activities		20,000,000	(1,579,454)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,663,356	12,396,161
Cash and cash equivalents at the beginning of the year		15,174,526	2,778,365
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	19,837,882	15,174,526

The accompanying notes are an integral part of these financial statements

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2016

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

1. THE COMPANY

Vietnam Enterprise Investments Limited (the "Company") is a closed-end investment fund 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 Ordinary shares have been listed on the Main Market of the London Stock Exchange since 5 July 2016 (until 4 Jul 2016: Redeemable shares were listed on the Irish Stock Exchange). The Company is established for an unlimited duration. Refer to Note 16 for subsequent events.

The Company had the following investments in subsidiaries and joint operation as at 31 December 2016, 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%
Amersham Industries Limited	British Virgin Islands	Investment holding	100%
Balestrand Limited	British Virgin Islands	Investment holding	100%

As at 31 December 2016 and 31 December 2015, the Company had no employees.

2. BASIS OF PREPARATION

(a) Statement of compliance
The Company's financial statements as at and for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement
The financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial assets at fair value through profit or loss which are measured at fair value. The methods used to measure fair values are described in Note 3(c)(iii).

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

(d) Use of estimates and judgments
The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

2. BASIS OF PREPARATION (CONTINUED)

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 financial statements are discussed as follows:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 - ***Consolidated Financial Statements*** are required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities.

The criteria which define an investment entity are currently as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Board of Directors has made an assessment and concluded that the Company meets the above listed criteria of an investment entity. The investment objective of the Company is to provide shareholders with attractive capital returns by investing directly or indirectly through its subsidiaries in a diversified portfolio of listed and unlisted securities in Vietnam. The Company has always measured its investment portfolio at fair value. The exit strategy for all investments held by the Company and its subsidiaries is assessed regularly, documented and submitted to the Investment Committee for approval.

The Company also meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. The Board has concluded that the Company therefore meets the definition of an investment entity. These conclusions will be reassessed on an annual basis for changes in any of these criteria or characteristics.

Fair value of financial instruments

The most significant estimates relate to the fair valuation of each subsidiary and the fair valuation of financial instruments with significant unobservable inputs in their underlying investment portfolio.

The Board has assessed the fair valuation of each subsidiary to be equal to its net asset value at the reporting date, and the primary constituent of net asset value across subsidiaries is their underlying investment portfolio.

Within the underlying investment portfolio, the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Board uses its judgments to select a variety of valuation methods and make assumptions that are mainly based on market conditions existing at each reporting date.

Impairment of receivables

The Directors determine the allowance 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in these financial statements.

(a) Subsidiaries and joint operation

Subsidiaries are investees controlled by the Company. The Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint operation is a joint arrangement whereby the Company has joint control and rights to the assets and obligations for the liabilities relating to the arrangement.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company is an investment entity and measures investments in its subsidiaries at fair value through profit or loss (see Note 2(d)). In determining whether the Company meets the definition of an investment entity, the Board considered the Company and its subsidiaries as a whole. In particular, when assessing the existence of investment exit strategies and whether the Company has more than one investment, the Board took into consideration the fact that all subsidiaries were formed in connection with the Company in order to hold investments on behalf of the Company.

(b) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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 changes in fair value of financial instruments at fair value through profit or loss.

(c) Financial assets and financial liabilities

(i) Classification

The Company classifies financial assets and financial liabilities into the following categories:

Financial assets at fair value through profit or loss

- Designated at fair value through profit or loss – equity and debt investments.

Financial assets at amortised cost

- Loans and receivables – cash and cash equivalents, balance due to brokers and other receivables.

Financial liabilities at amortised cost

- Other liabilities – borrowings, accounts payables and accruals, and balances due to brokers.

(ii) Recognition

The Company initially recognises financial assets and financial liabilities measured at amortised cost on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities at fair value through profit or loss are recognised initially at fair value, with transaction costs recognised in profit or loss as incurred. All other financial assets or financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(iii) Measurement

Non-derivative financial assets

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

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

- *Loans and receivables*

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liability

Non-derivative financial liabilities are initially measured at fair value less any directly attribute transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

(vi) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the assets or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at the current bid price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value of listed investments is determined based on quoted market prices on a recognised exchange or sourced from a reputable broker or counterparty 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 ("OTC") 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 where appropriate.

(viii) Impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial asset(s) is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of amount due on terms that the Company would not consider otherwise, indications that a borrower or issuer will enter bankruptcy, adverse changes in the payments status of the borrowers or issuers, or observable data indicating that there is a measurable decrease in the expected cash flows from a company of financial assets.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on impaired assets continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company writes off financial assets carried at amortised cost when they are determined to be uncollectible.

(d) Share capital

Issuance of share capital

Management Shares and Ordinary/Redeemable Shares are classified as equity. The difference between the issued 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 Ordinary/Redeemable Shares

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 is presented as deductions from share capital and the excess over par value of repurchased shares is 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.

(e) Segment reporting

The Company is organised and operates as one operating segment, investment in equity securities in Vietnam. Consequently, no segment reporting is provided in the Company's financial statements.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(g) Interest income

Interest income, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based repricing date to the net carrying amount of the financial instrument on initial recognition.

Interest received or receivable are recognised in profit or loss as interest income.

(h) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For quoted equity securities, this is usually the ex-dividend date. For unquoted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

Dividend income from equity securities designated as at fair value through profit or loss is recognised in profit or loss in a separate line item.

(i) Net changes in fair value of financial assets at fair value through profit or loss

Net changes in fair value of financial assets at fair value through profit or loss include all realised and unrealised fair value changes.

Net realised gain/loss from financial assets at fair value through profit or loss is calculated using the weighted average cost of the investments.

(j) Expenses

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Basic earnings per share and Net Asset Value per share

The Company presents basic earnings per share ("EPS") for its Ordinary/Redeemable Shares. Basic EPS is calculated by dividing net profit attributable to the Ordinary/Redeemable Shareholders by the weighted average number of Ordinary/Redeemable Shares outstanding during the year. The Company did not have potentially dilutive shares as of 31 December 2016 and 31 December 2015.

NAV per share is calculated by dividing the NAV attributable to the Ordinary/Redeemable Shareholders by the number of outstanding Ordinary/Redeemable Shares as at the reporting date. NAV is determined as total assets less total liabilities. Where Ordinary/Redeemable Shares have been repurchased, NAV per share is calculated based on the assumption that those repurchased Ordinary/Redeemable Shares have been cancelled.

(l) Related parties

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

a) The party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company, or (iii) has joint control over the Company;
b) The party is an associate;
c) The party is a jointly controlled entity;
d) The party is a member of the key management personnel of the Company;
e) The party is a close member of the family of any individual referred to in (a) or (d);
f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
g) The party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is related party of the Company.

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 (including Ho Chi Minh City Securities Cooperation ("HSC") and VietFund Management ("VFM") and its funds under management) are also considered related parties to the Company.

(m) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016, and earlier application is permitted. However, the Company has not early applied the following new or amended standards in preparing these financial statements.

(i) IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 ***Financial Instruments: Recognition and Measurement***. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on the initial assessment, this standard is not expected to have a material impact on the Company since the majority of its financial assets are measured at fair value through profit or loss.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option are recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Based on the Company's initial assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Company. This is because:

- the financial instruments classified as held-for-trading under IAS 39 (derivatives) will continue to be classified as such under IFRS 9;
- other financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be mandatorily measured at FVTPL under IFRS 9; and
- financial instruments currently measured at amortised cost are: cash and cash equivalent, balance due from broker and other receivables. These instruments meet the solely principal and interest criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Based on the Company's initial assessment, changes to the impairment model are not expected to have a material impact on the financial assets of the Company. This is because:

- the majority of the financial assets are measured at FVTPL and the impairment requirements do not apply to such instruments; and
- the financial assets at amortised cost are short-term (i.e. no longer than 12 months), of high credit quality and/or highly collateralised. Accordingly, the expected credit losses on such assets are expected to be small.

(ii) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 ***Revenue***, IAS 11 ***Construction Contracts*** and IFRIC 13 ***Customer Loyalty Programmes***.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. Based on the initial assessment, this standard is not expected to have a material impact on the Company.

4. 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 Enterprise Investment Management Limited, the Investment Manager of the Company and Dragon Capital Markets Limited. As at 31 December 2016, Dragon Capital Markets Limited beneficially held 3,700,359 Ordinary Shares of the Company for investment and proprietary trading purposes (31 December 2015: 7,177,433 Redeemable Shares). Gordon Lawson, a Director of the Company, is a beneficial shareholder of the Company, holding 25,000 Ordinary Shares of the Company as at 31 December 2016 (31 December 2015: Nil).

During the year, the Directors, with exception of Dominic Scriven, earned US$176,712 (2015: US$155,000) for their participation on the Board of Directors of the Company.

During the year, total broker fees paid to HSC – an associate of Dragon Capital Group Limited and one of the securities brokers of the Company and its subsidiaries – amounted to US$184,154 (2015: US$131,211). As at 31 December 2016, there was no broker fee payable to this broker (31 December 2015: US$2,573).

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

4. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

During the year, total trading amount dealt on the Company's behalf by VFM – a subsidiary of Dragon Capital Group Limited and its subsidiaries – amounted to US$17,369,503 (2015: Nil). As at 31 December 2016, there was no payable amount to this party (31 December 2015: Nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2016 US$	31 December 2015 US$
Directly held investments (a)	329,143,330	227,918,319
Investments in subsidiaries (b)	666,616,014	576,814,481
	995,759,344	804,732,800

(a) The cost and carrying value of directly held listed and unlisted investments of the Company were as follows:

	31 December 2016 US$	31 December 2015 US$
Listed investments:		
Investments, at cost	222,858,809	150,403,297
Unrealised gains	96,205,034	75,180,132
At carrying value	319,063,843	225,583,429
Unlisted investments:		
Investments, at cost	12,392,183	5,835,389
Unrealised losses	(2,312,696)	(3,500,499)
At carrying value	10,079,487	2,334,890
	329,143,330	227,918,319

Movements of investments directly held by the Company during the year were as follows:

	31 December 2016 US$	31 December 2015 US$
Opening balance	227,918,319	249,399,837
Purchases	126,184,230	93,642,076
Sales	(47,171,924)	(89,403,357)
Unrealised gains/(losses)	22,212,705	(25,720,237)
Closing balance	329,143,330	227,918,319

(b) Investments in subsidiaries are fair valued at the subsidiary's net asset value with the significant part being attributable to the underlying investment portfolio. The underlying investment portfolio is valued under the same methodology as directly held investments of the Company, with any other assets or liabilities within subsidiaries fair valued in accordance with the Company's accounting policies. All cash flows to/from subsidiaries are treated as a reduction/increase in the fair value of the subsidiary.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The net asset of the Company's subsidiaries comprised:

	31 December 2016 US$	31 December 2015 US$
Cash and cash equivalents	31,817,639	11,110,242
Financial assets at fair value through profit or loss (c)	662,690,197	567,536,076
Other receivables	4,243,009	778,313
Balances due from brokers	-	1,437,052
Total assets	698,750,845	580,861,683
Balance due to brokers	(32,134,831)	(4,047,202)
Total liabilities	(32,134,831)	(4,047,202)
Net asset	666,616,014	576,814,481

Movements in the carrying value of investments in subsidiaries during the year were as follows:

	31 December 2016 US$	31 December 2015 US$
Opening balance	576,814,481	263,937,734
Net cash flows (from)/to subsidiaries	(50,962,362)	14,302,551
Transfer from VGF as a result of the Merger (see Note 10)	-	278,648,899
Fair value movements on investment entity subsidiaries	140,763,895	19,925,297
Closing balance	666,616,014	576,814,481

(c) The cost and carrying value of underlying financial assets at FVTPL held by the Company's subsidiaries were as follows:

	31 December 2016 US$	31 December 2015 US$
Listed investments:		
Investments, at cost	410,126,668	367,776,535
Unrealised gains	191,760,310	150,042,801
At carrying value	601,886,978	517,819,336
Unlisted investments:		
Investments, at cost	55,984,424	46,479,933
Unrealised gains	4,818,795	3,236,807
At carrying value	60,803,219	49,716,740
	662,690,197	567,536,076

(d) As at 31 December 2016 and 2015, the Company held the following listed and unlisted investments directly and/or indirectly through its subsidiaries:

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	The Company				Subsidiaries			
	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	Cost US$	Carrying value US$	Cost US$	Carrying value US$	Cost US$	Carrying value US$	Cost US$	Carrying value US$
Listed investments								
Vietnam listed equities:								
Vinamilk	3,093,510	60,148,087	4,304,172	71,976,088	4,477,335	87,054,214	5,753,920	96,219,339
Mobile World	23,076,410	37,684,636	10,760,103	12,100,971	31,063,926	29,046,452	-	-
Military Bank	26,485,492	22,865,541	6,823,499	6,630,799	32,761,408	30,224,185	22,131,553	21,506,544
Hoa Phat	9,276,518	22,450,806	10,718,675	15,459,003	9,334,605	22,591,387	19,683,944	28,389,158
Novaland	17,711,599	20,877,036	-	-	15,409,310	23,648,325	-	-
FPT	18,206,053	20,420,695	13,430,252	15,623,541	31,727,360	37,992,351	31,032,175	36,100,028
PCC1	16,988,261	18,150,536	-	-	-	-	-	-
Vietcombank	13,898,264	17,608,500	12,571,955	15,507,337	11,197,466	13,845,092	18,479,575	22,794,305
Nam Kim	12,989,631	15,370,427	-	-	1,038,147	999,078	-	-
Hoa Sen	5,766,633	11,654,144	6,502,161	5,490,433	3,758,836	7,596,464	10,290,104	8,688,976
Kinh Bac	12,177,117	11,055,867	15,024,253	13,066,280	12,784,474	12,055,023	10,664,682	9,274,853
PV Gas	11,583,984	10,859,991	9,390,226	4,747,215	33,694,719	35,140,282	15,197,443	7,683,046
Khang Dien House	5,282,379	7,736,691	4,603,063	6,265,464	13,576,874	21,476,780	15,237,784	20,740,927
Vietinbank	8,368,314	6,412,677	8,540,812	8,191,553	10,303,635	7,895,722	12,684,101	12,165,409
DIG	7,766,220	6,338,806	7,596,374	6,896,686	1,544,824	1,411,191	-	-
Vinh Hoan	4,549,925	5,584,296	-	-	2,768,623	3,477,993	-	-
Dat Xanh	5,178,331	5,343,181	-	-	14,504,733	14,450,910	-	-
Viglacera	3,848,569	4,031,444	-	-	5,907,096	6,377,743	-	-
PV Drilling	3,497,695	2,745,879	1,891,541	1,149,512	8,441,708	5,470,903	9,929,401	6,034,215
Ca Mau Fertilizer	3,506,299	2,695,244	3,506,299	3,469,053	5,363,420	4,122,787	5,363,420	5,306,447
PTSC	2,958,348	2,210,338	3,516,663	2,202,157	17,472,958	13,339,917	11,281,610	7,064,616
Imexpharm	2,420,353	2,454,877	-	-	8,087,781	9,776,338	3,281,425	3,170,362
SAM	1,654,221	1,648,900	1,654,221	1,559,772	3,611,243	3,599,629	4,413,609	4,161,612
SJS	1,246,919	1,394,458	957,488	1,108,602	3,855,567	4,391,066	3,695,091	4,278,265
Sudico	1,327,764	1,320,786	4,091,864	4,619,289	13,905,492	13,684,474	23,139,781	26,122,411
ACV (*)	-	-	-	-	13,737,092	49,363,944	-	-
ACB	-	-	-	-	28,165,214	48,894,956	28,165,214	50,642,263
CotecCons	-	-	-	-	19,589,523	22,841,553	3,620,886	7,480,907
CII	-	-	-	-	13,762,177	20,782,970	13,762,177	16,149,987
Sabeco	-	-	-	-	13,347,912	16,608,849	-	-
REE	-	-	1,464,632	3,227,752	4,855,613	11,886,140	14,718,626	32,436,875
Dien Quang	-	-	-	-	8,442,534	10,223,373	8,442,534	8,653,145
Ha Do	-	-	-	-	6,752,782	7,758,295	6,752,782	8,505,362
Vinconship	-	-	-	-	4,882,281	3,858,592	-	-
Hau Giang Pharma	-	-	6,131,634	6,505,531	-	-	5,434,237	5,765,607
Masan Group	-	-	3,442,142	6,293,107	-	-	2,485,141	4,543,468
BIDV	-	-	5,008,633	5,281,036	-	-	12,900,819	13,602,451
Phat Dat	-	-	4,736,211	4,966,316	-	-	1,981,371	2,077,633
Phu My Fertilizer	-	-	3,507,168	2,957,665	-	-	11,438,700	9,646,485
Gemadept	-	-	229,256	288,267	-	-	2,351,036	2,956,196
Vingroup	-	-	-	-	-	-	17,066,898	17,676,142
Nhon Trach Power	-	-	-	-	-	-	5,608,649	7,230,551
Danang Rubber	-	-	-	-	-	-	4,438,203	4,347,646

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	The Company				Subsidiaries			
	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	Cost US$	Carrying value US$	Cost US$	Carrying value US$	Cost US$	Carrying value US$	Cost US$	Carrying value US$
Noibai Cargo	-	-	-	-	-	-	1,749,683	2,502,886
Century	-	-	-	-	-	-	1,206,066	1,503,847
Southern Rubber	-	-	-	-	-	-	2,229,301	1,392,482
NBB	-	-	-	-	-	-	1,164,594	1,004,890
Total listed investments	222,858,809	319,063,843	150,403,297	225,583,429	410,126,668	601,886,978	367,776,535	517,819,336

(*) ACV is listed on Unlisted Public Company Market ("UPCoM").

	The Company				Subsidiaries			
	31 December 2016		31 December 2015		31 December 2016		31 December 2015	
	Cost US$	Carrying value US$	Cost US$	Carrying value US$	Cost US$	Carrying value US$	Cost US$	Carrying value US$
Unlisted investments								
Vietnam OTC equities:								
VEAM	3,843,120	4,281,762	-	-	15,372,478	17,127,047	-	-
Vinatex	2,073,027	2,415,353	2,073,027	2,334,890	10,883,392	12,680,602	10,883,392	12,258,172
Tin Nghia	2,713,674	3,238,769	-	-	3,922,088	4,786,900	-	-
ACV	-	-	-	-	-	-	15,518,899	16,643,035
Vietjet Air	-	-	-	-	21,138,134	21,485,301	-	-
Private Equities:								
Besra Gold	3,762,362	-	3,762,362	-	-	-	-	-
VFMVF2	-	-	-	-	1,331,290	354,872	1,331,290	714,860
Novaland	-	-	-	-	-	-	15,409,310	16,268,517
Vietnam Corporate bonds:								
NBB – Convertible bonds	-	-	-	-	3,337,042	3,796,607	3,337,042	3,832,156
Rights:								
Imexpharm - rights	-	143,603	-	-	-	571,890	-	-
Total unlisted investments	12,392,183	10,079,487	5,835,389	2,334,890	55,984,424	60,803,219	46,479,933	49,716,740
Total	235,250,992	329,143,330	156,238,686	227,918,319	466,111,092	662,690,197	414,256,468	567,536,076

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Investment portfolio by sector was as follows:

	31 December 2016		31 December 2015	
	US$	%	US$	%
Food & beverage	172,873,439	17	168,195,427	21
Real Estate	172,601,458	17	123,443,000	15
Banks	147,746,673	15	156,321,697	19
Material & Resources	97,889,524	10	86,651,195	11
Transportation	74,707,837	8	22,390,384	3
Energy	69,767,310	7	28,880,761	4
Retail	66,731,088	7	12,100,971	2
Software & Services	58,413,046	6	51,723,569	6
Others	55,726,174	5	52,888,443	6
Diversified Financials	41,036,759	4	63,449,646	8
Consumer Durables	25,319,328	3	23,246,207	3
Pharmaceuticals	12,946,708	1	15,441,500	2
	995,759,344	100	795,454,395	100

(e) Restrictions

The Company receives income in the form of dividends from its investments in unconsolidated subsidiaries and there are no significant restrictions on the transfer of funds from these entities to the Company.

(f) Support

The Company provides or received ongoing support to/from its subsidiaries for the purchase/sale of portfolio investments. During the year, the Company received support from its unconsolidated subsidiaries as noted in Note 5(b). The Company has no contractual commitments or current intentions to provide any other financial or other support to its unconsolidated subsidiaries.

6. BALANCES FROM/DUE TO BROKERS

	31 December 2016	31 December 2015
	US$	US$
Sale transactions awaiting settlement	720,731	-
Purchase transactions awaiting settlement	-	6,064,653

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

7. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
	US$	US$
Cash in banks	19,837,882	15,174,526

8. BORROWINGS

	31 December 2016	31 December 2015
	US$	US$
Standard Chartered Bank – Singapore Branch		
- Secured Bank Loan 1	20,000,000	10,000,000
- Secured Bank Loan 2	20,000,000	10,000,000
	40,000,000	20,000,000

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

8. BORROWINGS (CONTINUED)

Term and conditions of outstanding short-term borrowings are as follows:

			31 December 2016	
	Interest rate per annum (%)	Date of Maturity	Nominal value US$	Carry amount US$
Secured Bank Loan 1	2.8869	9 February 2017	20,000,000	20,000,000
Secured Bank Loan 2	2.9962	22 March 2017	20,000,000	20,000,000
			40,000,000	40,000,000

As at 31 December 2016, the bank loans were secured over the Company's investments with total carrying value of US$74,643,186 (31 December 2015: US$86,055,756).

These loans have been rolled over subsequent to the date of maturity.

9. ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2016 US$	31 December 2015 US$
Management fees	1,638,148	1,316,158
Administration fees	109,576	58,223
Other payables	204,070	161,637
	1,951,794	1,536,018

10. ISSUED SHARE CAPITAL AND SHARE PREMIUM

	31 December 2016 US$	31 December 2015 US$
Authorised:		
500,000,000 Ordinary/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:		
220,920,745 Ordinary Shares at par value of US$0.01 each (31 December 2015: 251,421,114 Redeemable Shares at par value of US$0.01 each)	2,209,207	2,514,211
1,000 Management Shares at par value of US$0.01 each	10	10
	2,209,217	2,514,221
Treasury Shares:		
Redeemable Shares	-	(305,004)
Shares in circulation:		
Ordinary/Redeemable Shares	2,209,207	2,209,207
Management Shares	10	10
Outstanding issued share capital in circulation	2,209,217	2,209,217

In accordance with the Company's Restated and Amended Memorandum and Articles of Association dated 21 June 2016, all issued Redeemable Shares of the Company have become Ordinary Shares.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

10. ISSUED SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

Holders of Ordinary Shares present in person or by proxy or by authorised representative shall have one vote and, on a poll, every holder of Ordinary Shares present in person or by proxy or by authorised representative shall have one vote for every Ordinary Share of which he is the registered holder. The Ordinary Shares carry rights to dividends as set out in Articles 106 to 114 of the Articles. In a winding up, the Ordinary Shares carry a right to a return of the nominal capital paid up in respect of such Ordinary 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 Ordinary Shares and Management Shares, provided that in a winding up the assets available for distribution among the members are more than sufficient to repay the whole of the nominal capital paid up at the commencement of the winding up. No holder of Ordinary Shares has the right to request the redemption of any of his Ordinary Shares at his option.

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 Articles. The new Ordinary Shares to be issued on conversion shall rank in full pari passu with the existing Ordinary 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 Ordinary 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 Ordinary 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 Shares were in issue, and no Conversion Shares were in issue as at 31 December 2016 and 31 December 2015.

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 Ordinary Shares. The Management Shares each carry one vote on a poll. The holders of the Management Shares have the exclusive right to appoint two individuals to the Board.

As at 31 December 2016, the following shareholders each owned more than 10 percent of the Company's issued Ordinary shares capital.

	Number of Ordinary Shares held	% of total Ordinary Shares in issue
Registered shareholders:		
Computershare Investor Services PLC (*)	220,920,746	100%
In which:		
Bill & Melinda Gates Foundation Trust	25,049,173	11.34%

(*) On 17 June 2016, the Company appointed Computershare Investor Services PLC to act as depositary in respect of a facility for the issue of depositary interest representing the Company's Ordinary Shares.

As at 31 December 2015, the following shareholders each owned more than 10 percent of the Company's issued Redeemable shares capital.

	Number of Redeemable Shares held	% of total Redeemable Shares in issue
Registered shareholders:		
Citivic Nominees Limited	186,795,757	84.55%
Clearstream Banking SA	34,114,988	15.44%

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

10. ISSUED SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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

	Shares	Year ended 31 December 2016 US$	Shares	Year ended 31 December 2015 US$
Balance at the beginning of the year	220,920,746	2,209,207	150,910,053	1,509,100
Issuance of Redeemable Shares as a result of the Merger (*)	-	-	77,598,114	775,981
Repurchase of Redeemable Shares during the year	-	-	(7,587,421)	(75,874)
Balance at the end of the year	220,920,746	2,209,207	220,920,746	2,209,207

Movements in share premium during the year were as follows:

	Year ended 31 December 2016 US$	Year ended 31 December 2015 US$
Balance at the beginning of the year	563,283,425	306,547,207
Issuance of Redeemable Shares as a result of the Merger (*)	-	277,950,958
Repurchase of Redeemable Shares during the year	-	(21,214,740)
Balance at the end of the year	563,283,425	563,283,425

(*) The Company entered into a transaction with the shareholders of Vietnam Growth Fund Limited ("VGF") to acquire the entire share capital of VGF for a purchase consideration of US$278,726,939 as at 17 December 2015. The purchase consideration was settled by the issue of a number of redeemable shares in the Company to the shareholders of VGF. As a result of the Merger, 77,598,114 Redeemable Shares in the Company have been issued and allocated to holders of VGF's Ordinary Shares with the Exchange Ratio of 1:6.4762320. Upon the Merger taking effect, the total number of the Company's Redeemable Shares issued and outstanding as at 31 December 2015 was 220,920,746.

11. NET ASSET VALUE PER ORDINATY SHARE

The calculation of the NAV per Ordinary/Redeemable Share was based on the net assets attributable to the Ordinary/Redeemable Shareholders of the Company as at 31 December 2016 of US$974,802,771 (31 December 2015: US$792,652,878) and the number of outstanding Ordinary/Redeemable Shares in issue as at that date of 220,920,746 shares (31 December 2015: 220,920,746 Redeemable Shares).

12. FEES

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

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$17,759,320 (2015: US$10,319,816). As at 31 December 2016, a management fee of US$1,638,148 (31 December 2015: US$1,316,158) remained payable to the Investment Manager.

Directors' fees

During the year, total directors' fees amounted to US$176,712 (2015: US$155,000). There were no directors' fees payable as at 31 December 2016 and 2015. Dominic Scriven has permanently waived his rights to receive directors' fees for his services as Director of the Company.

Administration fees

Standard Chartered Bank (the "Administrator") is entitled to receive a fee of 0.06% (2015: 0.06%) of the gross assets per annum, payable monthly in arrears and subject to a minimum monthly fee of US$4,000 per fund. During the year, total administration fees amounted to US$967,680 (2015: US$460,545). As at 31 December 2016, an administration fee of US$109,576 (31 December 2015: US$58,223) was payable to the Administrator.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

12. FEES (CONTINUED)

Custodian fees

Standard Chartered Bank (the "Custodian") is entitled to receive a fee of 0.05% (2015: 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$590,575 (2015: US$347,585). There were no custodian fees payable as at 31 December 2016 and 2015.

Audit and related fees

During the year, included in the legal and professional fees of the Company was audit fees amounted to US$69,000 (2015: US$48,000) paid to the auditor, KPMG Limited. In addition, an advisory fee for the purpose of listing the Company on London Stock Exchange paid to KPMG UK was US$149,450 (2015: nil), in which US$44,000 was paid to KPMG Limited by KPMG UK for the sub-contracting work.

13. INCOME TAX

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

The Company is subject to 5% withholding tax on the interest received from any Vietnamese company. Dividends remitted by Vietnamese investee companies to foreign corporate investors are not subject to withholding taxes.

See Note 15(b) for further details.

14. BASIC EARNINGS PER ORDINARY/REDEEMABLE SHARE

The calculation of basic earnings per Ordinary/Redeemable Share for the year was based on the net profit for the year attributable to the holders of Ordinary/Redeemable Shares of US$182,149,893 (2015: US$22,254,190) and the weighted average number of Ordinary Shares outstanding of 220,920,746 shares (2015: 146,799,779 Redeemable Shares) in issue during the year.

(a) Net profit attributable to the Ordinary/Redeemable Shareholders

	Year ended 31 December 2016 US$	Year ended 31 December 2015 US$
Net profit attributable to the Ordinary/Redeemable Shareholders	182,149,893	22,254,190

(b) Weighted average number of Ordinary/Redeemable Shares

	Year ended 31 December 2015 US$	Year ended 31 December 2014 US$
Issued Ordinary/Redeemable Shares at the beginning of the year	220,920,746	150,910,053
Effect of Redeemable Shares issued during the year	-	212,597
Effect of Redeemable Shares repurchased during the year	-	(4,322,871)
Weighted average number of Ordinary/Redeemable Shares	220,920,746	146,799,779

(c) Basic earnings per Ordinary/Redeemable Share

	Year ended 31 December 2016 US$	Year ended 31 December 2015 US$
Basic earnings per Ordinary/Redeemable Share	0.82	0.15

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT

A. Financial risk management

The Company and its subsidiaries mainly invested in listed and unlisted investments in Vietnam, are exposed to credit risk, liquidity risk and market risks arising from the financial instruments they hold. The Company has formulated risk management policies and guidelines which govern its overall business strategies, its balance for risk and its general risk management philosophy, and has established processes to monitor and control transactions in a timely and accurate manner. In essence, the Company and its Investment Manager practise portfolio diversification and have adopted a range of appropriate restrictions and policies, including limiting the Company's cash investment in each investment to not more than 20% of the Company's capital at the time of investment. Nevertheless, the markets in which the Company operates and the investments that the Company makes can provide no assurance that the Company will not suffer a loss as a result of one or more of the risks described above, or as a result of other risks not currently identified by the Investment Manager.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Company are discussed in the following notes.

(a) Credit risk

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

The Company'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 been approved based on a set of defined criteria by the Investment Manager. 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 2016 and 31 December 2015, the Company's credit risk arose principally from its other receivables, investments in debt securities, and cash and cash equivalents.

The maximum exposure to credit risk faced by the Company is equal to the carrying amounts of these balances as shown on the statement of financial position. The maximum exposure to credit risk at the reporting date was as follows:

	31 December 2016 US$	31 December 2015 US$
Other receivables (ii)	436,608	346,223
Balances due from brokers (ii)	720,731	-
Cash and cash equivalents (iii)	19,837,882	15,174,526
	20,995,221	15,520,749

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 ***Financial Instruments: Disclosures*** are met by providing disclosures on the credit risk of the underlying financial assets held by the subsidiaries.

As at 31 December 2016 and 2015, the subsidiaries' credit risk arose principally from the subsidiaries' other receivables, balances due from brokers, cash and cash equivalents, and investments in debt securities.

The maximum exposure to credit risk faced by the subsidiaries is equal to the carrying amounts of investments in debt securities, other receivables, balance due from brokers and cash and cash equivalents, which were as follows at the reporting date:

	31 December 2016 US$	31 December 2015 US$
Investments in debt securities (i)	3,796,607	20,100,673
Other receivables (ii)	4,243,009	778,313
Balances due from brokers (ii)	-	1,437,052
Cash and cash equivalents (iii)	31,817,639	11,110,242
	39,857,255	33,426,280

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Investments in debt securities

Investments in debt securities represented convertible bonds of Vietnamese companies. The Directors do not foresee any significant credit risks from these convertible bonds because they will be converted into listed shares.

(ii) Other receivables and balances due from brokers

Other receivables represented dividends receivable and bond interest receivable from investee companies. Balances due from brokers represented receivables from sales of securities. Credit risk relating to these amounts was considered as minimal due to the short-term settlement period involved.

No receivables as at 31 December 2016 and 2015 were past due.

(iii) Cash and cash equivalents

Cash and cash equivalents of the Company and its subsidiaries were held mainly with well-known financial institutions. The Directors do not foresee any significant credit risks from these deposits and do not expect that these financial institutions may default and cause losses to the Company.

(b) Liquidity risk

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

As at 31 December 2016 and 31 December 2015, all the contractual maturities of non-derivative financial liabilities of the Company and its subsidiaries were payable within a year.

(c) Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the income of the Company and the value of its holdings of financial instruments. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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 Company's investment portfolio. The Company is exposed to equity price risk on all of its directly held and underlying listed and unlisted equity investments for which an active over-the-counter market exists. The Company'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 Company's underlying listed investments principally relates to investments listed on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange in Vietnam. 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 was as follows:

	Change in index level 2016 %	Effects on net assets 2016 US$m	Change in index level 2015 %	Effects on net assets 2015 US$m
Market Indices:				
VN Index	15	117.24	30	203.69
VN Index	(15)	(117.24)	(30)	(203.69)

Equity price risk for the Company's underlying unlisted investments principally related to investments in private equities in Vietnam. Valuation of these investments is made using appropriate valuation methodologies.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

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

	Up to 1 year US$	1 - 5 years US$	Non-interest bearing US$	Total US$
31 December 2016				
ASSETS				
Other receivables	-	-	436,608	436,608
Balance due from brokers	-	-	720,731	720,731
Cash and cash equivalents	19,837,882	-	-	19,837,882
TOTAL ASSETS	19,837,882	-	1,157,339	20,995,221
LIABILITIES				
Borrowings	(40,000,000)	-	-	(40,000,000)
Accounts payable and accruals	-	-	(1,951,794)	(1,951,794)
TOTAL LIABILITIES	(40,000,000)	-	(1,951,794)	(41,951,794)
NET INTEREST SENSITIVITY GAP	(20,162,118)	-	N/A	N/A

	Up to 1 year US$	1 - 5 years US$	Non-interest bearing US$	Total US$
31 December 2015				
ASSETS				
Other receivables	-	-	346,223	346,223
Cash and cash equivalents	15,174,526	-	-	15,174,526
TOTAL ASSETS	15,174,526	-	346,223	15,520,749
LIABILITIES				
Borrowings	(20,000,000)	-	-	(20,000,000)
Accounts payable and accruals	-	-	(1,536,018)	(1,536,018)
Balances due to brokers	-	-	(6,064,653)	(6,064,653)
TOTAL LIABILITIES	(20,000,000)	-	(7,600,671)	(27,600,671)
NET INTEREST SENSITIVITY GAP	(4,825,474)	-	N/A	N/A

A change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the Ordinary/Redeemable Shareholders by US$201,621 (31 December 2015: US$48,255). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 ***Financial Instruments: Disclosures*** are met by providing disclosures on the interest risk of the underlying investments held by the subsidiaries.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Up to 1 year US$	1 - 5 years US$	Non-interest bearing US$	Total US$
31 December 2016				
ASSETS				
Investment in debt securities	-	3,796,607	-	3,796,607
Other receivables	-	-	4,243,009	4,243,009
Cash and cash equivalents	31,817,639	-	-	31,817,639
TOTAL ASSETS	31,817,639	3,796,607	4,243,009	39,857,255
LIABILITIES				
Balances due to brokers	-	-	(32,134,831)	(32,134,831)
TOTAL LIABILITIES	-	-	(32,134,831)	(32,134,831)
NET INTEREST SENSITIVITY GAP	31,817,639	3,796,607	N/A	N/A

	Up to 1 year US$	1 - 5 years US$	Non-interest bearing US$	Total US$
31 December 2015				
ASSETS				
Investment in debt securities	-	3,832,156	-	3,832,156
Other receivables	-	-	778,313	778,313
Balances due from brokers	-	-	1,437,052	1,437,052
Cash and cash equivalents	11,110,242	-	-	11,110,242
TOTAL ASSETS	11,110,242	3,832,156	2,215,365	17,157,763
LIABILITIES				
Balances due to brokers	-	-	(4,047,202)	(4,047,202)
TOTAL LIABILITIES	-	-	(4,047,202)	(4,047,202)
NET INTEREST SENSITIVITY GAP	11,110,242	3,832,156	N/A	N/A

A change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the Ordinary/Redeemable Shareholders by US$356,142 (31 December 2015: US$149,424). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Foreign currency risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company and its subsidiaries' income or the value of its holding of financial instruments. The Company and its subsidiaries ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates to address short-term imbalances where necessary.

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2016 Denominated in VND US$
31 December 2016	
ASSETS	
Financial assets at fair value through profit or loss	329,143,330
Other receivables	413,108
Balance due from brokers	720,731
Cash and cash equivalents	4,017,621
TOTAL ASSETS	334,294,790
LIABILITIES	
Balances due to brokers	-
NET CURRENCY POSITION	334,294,790

	31 December 2015 Denominated in VND US$
31 December 2015	
ASSETS	
Financial assets at fair value through profit or loss	227,918,319
Other receivables	346,223
Cash and cash equivalents	12,518,119
TOTAL ASSETS	240,782,661
LIABILITIES	
Balances due to brokers	(6,064,653)
NET CURRENCY POSITION	234,718,008

At 31 December 2016, had the US$ strengthened or weakened by 1% (31 December 2015: 5%) against the 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 2015.

	Denominated in VND US$
2016	3,309,849
2015	11,177,048

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 ***Financial Instruments: Disclosures*** are met by providing disclosures on the currency risk of the underlying investments held by the subsidiaries.

The table below summarises the exposure of the subsidiaries to currency risks as at 31 December 2016 and 2015. Included in the table are the assets and liabilities categorised by their base currency.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2016 Denominated in VND US$
31 December 2016	
ASSETS	
Financial assets at fair value through profit or loss	662,690,197
Other receivables	4,243,009
Balances due from brokers	-
Cash and cash equivalents	26,817,456
TOTAL ASSETS	693,750,662
LIABILITIES	
Balances due to brokers	(32,134,831)
NET CURRENCY POSITION	661,615,831

	31 December 2015 Denominated in VND US$
31 December 2015	
ASSETS	
Financial assets at fair value through profit or loss	567,536,076
Other receivables	778,313
Balances due from brokers	1,437,052
Cash and cash equivalents	9,778,283
TOTAL ASSETS	579,529,724
LIABILITIES	
Balances due to brokers	(4,047,202)
NET CURRENCY POSITION	575,482,522

At 31 December 2016, had the US$ strengthened or weakened by 1% (31 December 2015: 5%) against VND with all other variables held constant, the net assets attributable to the Ordinaty Shareholders would have been decreased or increased by the amounts shown below. This analysis was performed on the same basis as in 2015.

	Denominated in VND US$
2016	6,550,652
2015	27,403,930

(d) Fair values of financial assets and liabilities

(i) Valuation model

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or broker price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company makes its investments through wholly owned subsidiaries, which in turn owns interests in various listed and unlisted equity and debt securities. The net asset value of the subsidiaries is used for the measurement of fair value. The fair value of the Company's underlying investments however is measured in accordance with the valuation methodology which is in consistent with that for directly held investments.

(ii) Fair value hierarchy – Financial instruments measured at fair value

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 statement of financial position. All fair value measurements below are recurring.

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
As at 31 December 2016				
Financial assets at fair value through profit or loss				
• Listed investments	319,063,843	-	-	319,063,843
• Unlisted investments	-	10,079,487	-	10,079,487
• Investments in subsidiaries	-	-	666,616,014	666,616,014
	319,063,843	10,079,487	666,616,014	995,759,344

	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
As at 31 December 2015				
Financial assets at fair value through profit or loss				
• Listed investments	225,583,429	-	-	225,583,429
• Unlisted investments	-	2,334,890	-	2,334,890
• Investments in subsidiaries	-	-	576,814,481	576,814,481
	225,583,429	2,334,890	576,814,481	804,732,800

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in three levels of the fair value hierarchy.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Level 1		Level 2		Level 3	
	2016	2015	2016	2015	2016	2015
	US$	US$	US$	US$	US$	US$
Opening balance	225,583,429	240,404,037	2,334,890	6,354,179	576,814,481	263,937,734
Purchases	119,627,436	93,642,076	6,556,794	-	-	-
Sales	(47,171,924)	(86,761,463)	-	-	-	-
Transfer from VGF as a result of the Merger (see Note 10)	-	-	-	-	-	278,648,899
Net cash outflows (from)/to subsidiaries	-	-	-	-	(50,962,362)	14,302,551
Unrealised gains/(losses) recognised in profit or loss	21,024,902	(21,701,221)	1,187,803	(4,019,289)	140,763,895	19,925,297
Closing balance	319,063,843	225,583,429	10,079,487	2,334,890	666,616,014	576,814,481
Total unrealised gains/(losses) for the year included in net changes in fair value of financial assets at fair value through profit or loss	21,024,902	(21,701,221)	1,187,803	(4,019,289)	140,763,895	19,925,297

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 31 December 2016.

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 ***Financial Instruments: Disclosures*** are met by providing disclosures on the fair value hierarchy of the underlying investments held by the subsidiaries.

	Level 1		Level 2		Level 3	
	2016	2015	2016	2015	2016	2015
	US$	US$	US$	US$	US$	US$
Opening balance	517,819,336	249,436,495	29,616,067	11,598,895	20,100,673	-
Transfer from level 2 to level 1	15,518,899	-	(15,518,899)	-	-	-
Transfer from level 3 to level 1	15,409,309	-	-	-	(15,409,309)	-
Purchases	159,807,441	243,245,727	40,432,700	20,701,466	-	18,746,352
Sales	(148,385,517)	(49,471,448)		-	-	-
Unrealised gains/(losses)	41,717,510	74,608,562	2,476,743	(2,684,294)	(894,756)	1,354,321
Closing balance	601,886,978	517,819,336	57,006,611	29,616,067	3,796,608	20,100,673
Total unrealised gains/(losses) included in net changes in fair value of financial assets at fair value through profit or loss	41,717,510	(7,775,875)	2,476,743	(3,575,281)	(894,756)	-

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Classification of financial assets and financial liabilities

	Loans and receivables US$	Designated at fair value US$	Other amortised cost US$	Total carrying amount US$
As at 31 December 2016				
Assets				
Financial assets at fair value through profit or loss	-	995,759,344	-	995,759,344
Other receivables	436,608	-	-	436,608
Balances due from brokers	720,731	-	-	720,731
Cash and cash equivalents	19,837,882	-	-	19,837,882
	20,995,221	995,759,344	-	1,016,754,565
Liabilities				
Borrowings	-	-	40,000,000	40,000,000
Balances due to brokers	-	-	1,951,794	1,951,794
	-	-	41,951,794	41,951,794

	Loans and receivables US$	Designated at fair value US$	Other amortised cost US$	Total carrying amount US$
As at 31 December 2015				
Assets				
Financial assets at fair value through profit or loss	-	804,732,800	-	804,732,800
Other receivables	346,223	-	-	346,223
Cash and cash equivalents	15,174,526	-	-	15,174,526
	15,520,749	804,732,800	-	820,253,549
Liabilities				
Borrowings	-	-	20,000,000	20,000,000
Accounts payable and accruals	-	-	1,536,018	1,536,018
Balances due to brokers	-	-	6,064,653	6,064,653
	-	-	27,600,671	27,600,671

(f) Capital management

The Company considers the capital under management as equal to net assets attributable to the Ordinary/Redeemable Shareholders. The Company 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 Company.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Uncertainty

Although the Company and its subsidiaries are incorporated in the Cayman Islands and the British Virgin Islands, respectively, where tax is exempt, their 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 and its subsidiaries 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 different and inconsistent interpretation. The Directors believe that it is unlikely that the Company will be exposed to tax liabilities in Vietnam.

16. SUBSEQUENT EVENTS

From 20 to 23 February 2017, the Company repurchased 796,066 Ordinary Shares of the Company with total value of US$3,195,017.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 April 2017.

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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	SYMBOL
Automobiles		
Vietnam Engine and Agricultural Machinery Corporation	VEAM	OTC Equities
Banks		
Asia Commercial Bank	ACB	HNX: ACB
Joint Stock Commercial Bank for Investment and Development of Vietnam	BIDV	HSX: BID
Military Commercial Joint Stock Bank	Military Bank	HSX: MBB
Joint Stock Commercial Bank For Foreign Trade Of Viet Nam	Vietcombank	HSX: VCB
Viet Nam Joint Stock Commercial Bank For Industry And Trade	Vietinbank	HSX: CTG
Capital goods		
Power Construction Joint Stock Company	PCC1	HSX: PC1
Refrigeration Electrical Engineering Corporation	REE	HSX: REE
Consumer Durables		
Century Synthetic Fiber Corporation	Century	HSX: STK
Dien Quang Lamp Joint Stock Company	Dien Quang	HSX: DQC
Vietnam National Textile and Garment Group (Listed on UPCOM on 3 January 2017)	Vinatex	UPCOM: VGT
Diversified Financials		
Hochiminh City Infrastructure Investment Joint Stock Company	CII	HSX: CII
MaSan Group Corporation	Masan Group	HSX: MSN
Sacom Development and Investment Corporation	SAM	HSX: SAM
Saigon Securities Incorporation	SSI	HSX: SSI
Energy		
Petrovietnam Drilling & Well Service Corporation	PV Drilling	HSX: PVD
Petro Vietnam Technical Services Corporation	PTSC	HNX: PVS
PetroVietnam Gas Joint Stock Corporation	PV Gas	HSX: GAS
Food & Beverage		
Saigon Beer – Alcohol – Beverage Corporation	Sabeco	HSX: SAB
Viet Nam Dairy Products Joint Stock Company	Vinamilk	HSX: VNM
Vinh Hoan Corporation	Vinh Hoan	HSX: VHC
Funds		
Vietnam Securities Investment Fund - VF2	VFMVF2	Private Equities
Materials & Resources		
Danang Rubber Joint Stock Company	Danang Rubber	HSX: DRC
Hoa Phat Group Joint Stock Company	Hoa Phat	HSX: HPG

NAME ABBREVIATIONS (CONTINUED)

FULL NAME BY SECTOR	SHORT NAME	SYMBOL
Materials & Resources		
Hoa Sen Group	Hoa Sen	HSX: HSG
Nam Kim Steel Joint Stock Company	Nam Kim	HSX: NKG
PetroVietnam Ca Mau Fertilizer Joint Stock Company	Ca Mau Fertilizer	HSX: DCM
Petrovietnam Fertilizer And Chemicals Corporation	Phu My Fertilizer	HSX: DPM
The Southern Rubber Industry Joint Stock Company	Southern Rubber	HSX: CSM
Viglacera Corporation	Viglacera	HNX: VGC
Pharmaceuticals		
DHG Pharmaceutical Joint Stock Company	Hau Giang Pharma	HSX: DHG
Imexpharm Corporation	Imexpharm	HSX: IMP
Real Estate		
Coteccons Construction Joint Stock Company	CotecCons	HSX: CTD
Dat Xanh Real Estate Service & Construction Corporation	Dat Xanh	HSX: DXG
Development Investment Construction Joint Stock Corporation	DIG	HSX: DIG
Ha Do Group Joint Stock Company	Ha Do	HSX: HDG
Khang Dien House Trading and Investment Joint Stock Company.	Khang Dien House	HSX: KDH
Kinh Bac City Development Holding Corporation	Kinh Bac	HSX: KBC
NBB Investment Corporation	NBB	HSX: NBB
No Va Land Investment Group Corporation	Novaland	HSX: NVL
Phat Dat Real Estate Development Corp	Phat Dat	HSX: PDR
Song Da Urban & Industrial Zone Investment and Development Joint Stock Company	Sudico	HSX: SJS
Tin Nghia Corporation	Tin Nghia	OTC Equities
VINGROUP Joint Stock Company	Vingroup	HSX: VIC
Retail		
Mobile World Investment Corporation	Mobile World	HSX: MWG
Software & Services		
FPT Corporation	FPT	HSX: FPT
Transportation		
Airport Corporation of Vietnam	ACV	UPCoM: ACV
Besra Gold	Besra Gold	OTC Equities
Gemadept Corporation	Gemadept	HSX: GMD
Noibai Cargo Terminal Services Joint Stock Company	Noibai Cargo	HSX: NCT
VietJet Aviation Joint Stock Company (Listed on HSX on 28 February 2017)	Vietjet Air	HSX: VJC
Vietnam Container Shipping Joint Stock Corporation	Vinconship	HSX: VSC
Utilities		
PetroVietnam Power Nhon Trach 2 Joint Stock Company	Nhon Trach Power	HSX: NT2