DRAGON CAPITAL

2017 ANNUAL REPORT

Vietnam Enterprise Investments Limited

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CHAIRMAN'S STATEMENT

Dear Shareholders,

2017 was a record-breaking year for Vietnam's economy. The Government achieved all of its economic growth and stability targets for the year. GDP growth reached 6.8%, its highest rate in 10 years, and surpassed the Government's target of 6.7%. Consumer consumption continued its upward trajectory supported by higher GDP per capita growth from US$2,215 to US$2,400. Rising incomes and a growing middle-income group will be the main driver for rising consumption in the coming years. Inflation was stable at 2.6%, well below the 4.0% target. Vietnam posted a trade surplus of US$2.9 billion due to strong export growth, the fastest growth in five years, of 21.2% to US$214 billion. The budget deficit improved significantly from 5.1% in 2016 to 3.5% of GDP supported by a strong economy and controlled government spending. Foreign reserves reached an all-time high due to large US$ inflows into State Owned Enterprise ("SOE") divestments, strong foreign direct investment ("FDI") and a trade surplus.

The stock market performed robustly in 2017 with the Vietnam Index ("VN Index") increasing by 52.8%, and closing at its highest for the last 10 years at 984.24. The liquidity also improved significantly with average trading value per day around US$225 million. Foreign investors remain positive on Vietnam, demonstrated by their net buying for the whole year of US$1,154 million, the highest level since 2007. IPOs and privatisation of SOEs accelerated including companies such as Vietjet Air, VPBank, HDBank, Idico, Becamex, Vincom Retail and Petrolimex. These new listings led to the market value of the three exchanges, Ho Chi Minh City Stock Exchange ("HSX"), Hanoi Stock Exchange ("HNX") and Unlisted Public Companies Market ("UPCoM") more than doubling to US$155 billion at the end of 2017 from US$86 billion at the end of 2016. The derivatives market opened for trade in July 2017 with the introduction of the VN30 Index futures with covered warrants being introduced in the first half of 2018.

Capitalising on this surging economic performance, 2017 was also an excellent year for us. Vietnam Enterprise Investments Limited ("VEIL", or the "Fund") delivered a total return of 60.1%, beating its benchmark VN Index by 7.3% and also outperformed VN Index on 3 year rolling basis by 20.4%. The outperformance was mainly due to the recovery in the banking sector which increased by 88.7% in the portfolio. Our holdings in banks achieved great earnings growth from 38% to 52% in 2017 thanks to improvement in net interest margin, better credit growth, and significant reduction in provision for non-performing loans as a result of efforts to solve bad debts issues in recent years. Other sectors that performed well and contributed to the strong performance of VEIL include transportation and retail. Utilising its local knowledge VEIL also continued to participate in IPOs, state divestment and private placements such as VPBank, Viglacera, FPT Retail, and DIG Group which made a meaningful contribution to the Fund's performance.

With a stable currency, healthy IPO pipeline, continued GDP growth and low levels of inflation predicted for 2018, we remain positive on the outlook for Vietnam. Market prospects remain bright going into 2018 thanks to the stable growth of the economy with expected GDP growth of 6.7% and inflation remaining at around 3%. Meanwhile currency remains stable thanks to strong trade surplus and high foreign reserves. Whilst a strong rally in 2017 might cause concerns over potential upside, however, as the market's valuation is still reasonable compared to regional peers with forecasted 2018's PE of 14.7x for the top 50 companies, and earnings growth of 19% in key sectors such as banking and property performing well in 2018. In addition, new listings from incoming IPOs, the possibility of opening foreign ownership limits and our potential inclusion in MSCI Emerging Market's Index Watch List are key catalysts for Vietnam to attract strong foreign inflows into the market. Our extensive experience in the market and deep local knowledge leaves us well-positioned to benefit from Vietnam's long term growth outlook and stock market developments.

The Board is presently undertaking a review of its composition to ensure thorough and complete gender and ethnic diversity and retained an independent third party specialist to undertake an evaluation and review of the Board. A detailed description is set out in the Corporate Governance Statement on pages 17 to 27.

At VEIL's Annual General Meeting ("AGM") which took place at 1101-02, 11/F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong, on 6 June 2017 at 11:00am (Hong Kong time), all ordinary and special resolutions were passed by the required majority on a poll vote.

Wolfgang Bertelsmeier

Wolfgang Bertelsmeier
Chairman
Vietnam Enterprise Investments Limited
17 April 2018

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 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. On 18 July 2017, VEIL was included in the FTSE 250 Index.

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, UPCoM or on other stock exchanges. 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 resolution.

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 three-year rolling basis which was provided on page 6. Performance for one, three and five years are also provided on page 6 for reference purposes.
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 different 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 premium/discount relative to the NAV is also shown on page 5.

BOARD COMPOSITION

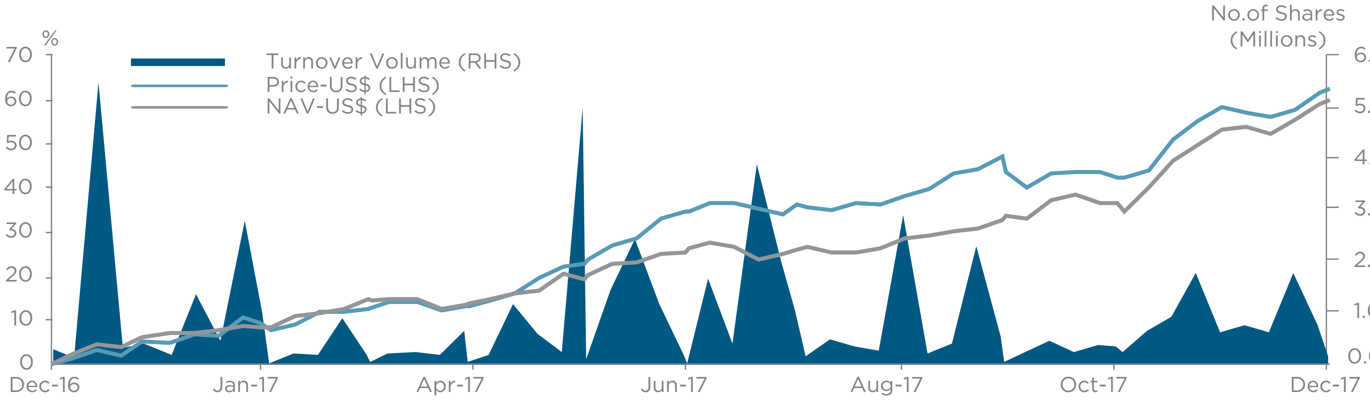
The Board supports the principle of boardroom diversity. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thoughts, experience and qualification for the effective conduct of VEIL's business. New appointments are identified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

As at 31 December 2017, the Board consisted of four Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Detailed information on the Board's independence, composition and diversity is provided on page 20.

SUMMARY OF RESULTS

SHARE PRICE & NAV



NAV and share price are based on US$.

PERFORMANCE

	31 December 2017	31 December 2016
Total net assets (US$)	1,553,277,105	974,802,771
Total net assets (GBP)	1,148,236,801	788,907,883
Number of outstanding shares	220,125,680	220,920,746
NAV per share (US$)	7.06	4.41
NAV per share (GBP)	5.22	3.57
Share price (GBP)*	4.42	2.96
Discount to NAV (%)	15.27	17.09
GBP/US$ exchange rate	1/0.739235	1/0.8093

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

	Year to 31 December 2017	Year to 31 December 2016
	%	%
NAV returns (US$)	60.09	22.84
NAV returns (GBP)	46.22	12.97[1]
Share price returns (US$)	n/a	n/a
Share price returns (GBP)	49.32	45.70[1]
VN Index (price return - VND terms)	48.03	14.82
VN Index (total return - US$ terms)[2]	52.75	17.08

[1] For the period from 5 July to 31 December 2016
[2] Source: Bloomberg

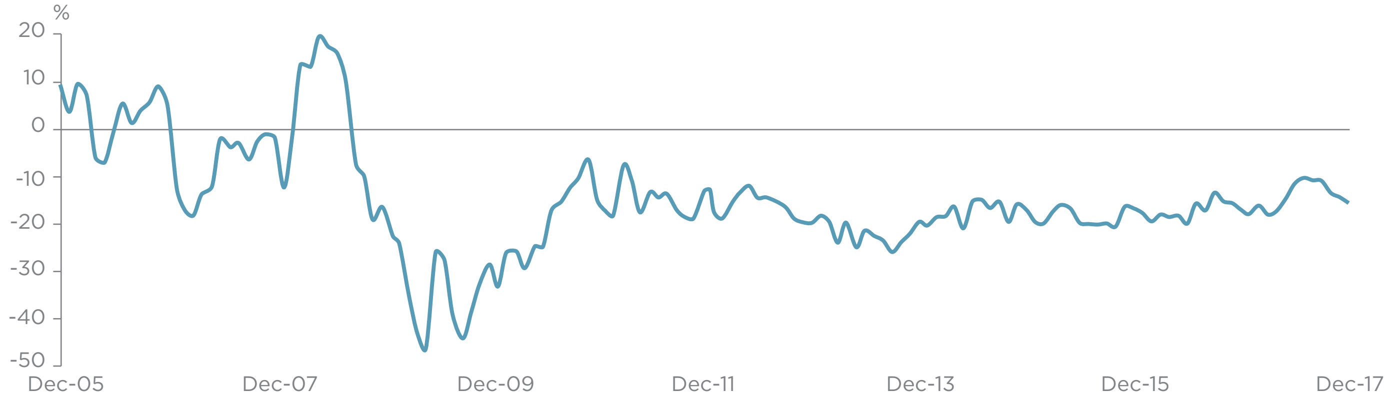
PERIOD'S HIGH AND LOW

	Year to 31 December 2017		Year to 31 December 2016	
	High	Low	High	Low
NAV per share (US$)	7.06	4.51	4.50	3.29
NAV per share (GBP)	5.23	3.63	3.66	3.08
Share price (GBP)	4.42	2.98	3.35	2.59

Source: Dragon Capital, London Stock Exchange

SUMMARY OF RESULTS (CONTINUED)

PREMIUM & DISCOUNT TO NAV



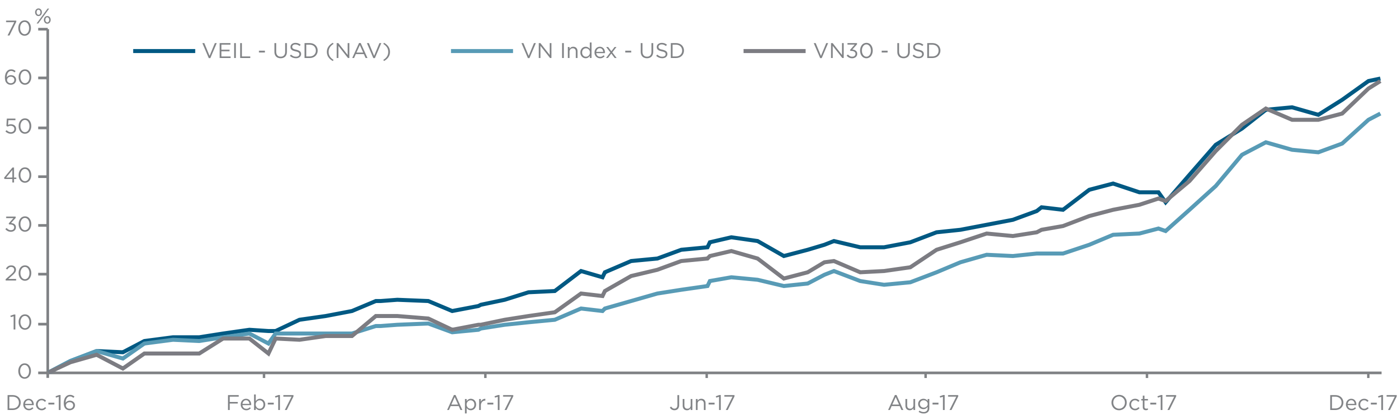
Source: Dragon Capital

TEN YEAR RECORD

Year ended 31 December	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total net assets (US$m)	377.18	480.99	414.84	330.17	400.85	473.78	512.94	792.65	974.80	1,553.28
Total net assets (GBPm)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	788.91	1,148.24
NAV per share (US$)	2.10	2.50	2.46	1.96	2.38	3.07	3.40	3.59	4.41	7.06
NAV per share (GBP)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.57	5.22
Share price (US$)	1.63	1.85	2.02	1.71	1.91	2.47	2.82	2.99	n/a	n/a
Share price (GBP)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.96	4.42
Earnings per share (US$)	(3.48)	0.40	(0.05)	(0.51)	0.40	0.64	0.32	0.15	0.82	2.64
Discount to NAV (%)	(22.62)	(26.00)	(17.89)	(12.76)	(19.75)	(19.54)	(17.06)	(16.71)	(17.09)	(15.27)

Source: Dragon Capital

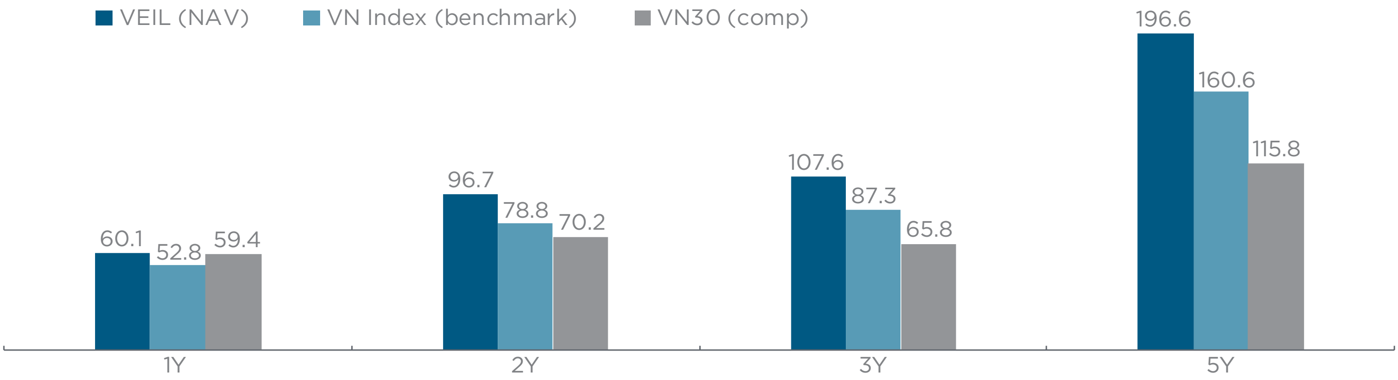
1 YEAR PERFORMANCE (% IN US$ TERMS)



Source: Dragon Capital, Bloomberg

SUMMARY OF RESULTS (CONTINUED)

CUMULATIVE PERFORMANCE (% IN US$ TERMS)



Source: Dragon Capital, Bloomberg

SOURCE OF INCOME (US$)

	Year to 31 December 2017	Year to 31 December 2016
Bank interest income	15,834	47,210
Dividend income	9,171,229	7,582,111
Net changes in fair value of financial assets at fair value through profit or loss	584,221,626	162,976,600
Gains on disposals of investments	18,234,758	33,038,858
Other income	23,977	736,650
Total	611,667,424	204,381,429

Source: Dragon Capital

INVESTMENT PORTFOLIO – 10 LARGEST INVESTMENTS

Company	Sector	Market value 2017	NAV	Total return 2017	Initial acquisition
		US$	%	%	
Mobile World	Retail	136,282,861	8.8	69.8	3 October 2014
Vinamilk	Foods & Beverages	118,206,811	7.6	72.3	22 October 2003
ACB	Banks	102,311,702	6.6	110.2	1 April 2010
Military Bank	Banks	96,658,425	6.2	99.1	9 March 2010
ACV	Transportation	76,478,611	4.9	125.6	14 December 2015
FPT	Software & Services	74,065,728	4.8	56.0	19 June 2009
Khang Dien House	Real Estate & Construction	71,133,435	4.6	62.8	19 November 2013
PV Gas	Energy	69,409,756	4.5	70.5	23 November 2010
Hoa Phat Group	Materials & Resources	58,927,507	3.8	74.4	1 December 1996
Vietjet Air	Transportation	54,664,489	3.5	95.5	30 December 2016
Total 10 investments		858,139,325			

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

INVESTMENT MANAGER'S REPORT

MACRO ECONOMY

Robust economic growth as expected

Vietnam's 2017 GDP growth of 6.8% beat the Government's target of 6.7% reaching the highest level in the past decade. With manufacturing spearheading progress, and only mining struggling to overcome industry headwinds, most sectors witnessed stronger growth rates in 2017.

Growth in manufacturing touched a 10-year high of 14.4% with this performance surge led by foreign manufacturers, including Samsung and Formosa. The Purchasing Managers' Index (PMI) continued to post its new yearly average high since inception. A developing infrastructure, relatively low labour cost, and a strong economy continued to attract foreign investors with newly registered and additional FDI of nearly US$36 billion in 2017 which is expected to spur manufacturing growth in the coming years.

Growth in the agriculture sector accelerated to 2.9% compared to 1.4% in 2016, predominantly due to the fishing sector. In contrast, the mining sector contracted by 7.1% following a decline in oil production and, at this stage, it is unclear whether the sector can overcome current headwinds to instigate a turnaround in 2018. This is especially prevalent given the Government has targeted a 8.5%-9.3% contraction across the sector in 2018.

On the demand side we witnessed resilient consumption and increasing investments, especially from the thriving private sector. Retail sales increased by 9.5% in real terms compared to 8.3% in 2016, and this rising trend could continue into 2018 given income is increasing and inflation is expected to remain benign. Similarly, GDP per capita inched higher to US$2,400 in 2017 and headline inflation remained at 2.6%, well below the Government's target of 4.0%. Further to this, Vietnam's consumer confidence index (CCI) also reached 5-year high of 116 in the third quarter of 2017.

Total social investments expanded by 12.1% in 2017 compared to 8.9% in 2016, driven by significant growth in private sector activity (+16.8%). This upward momentum was substantiated by a rising number of new enterprises (+15.2%) and charter capital (+45.4%).

Well-controlled inflation and flexible monetary policy

Core inflation stood at a low of 1.3% while headline inflation, as mentioned above, remained benign at 2.6% in 2017, with most of the increase due to upward adjustments in public service fees where medical and healthcare fees climbed 27.8%, while education fees rose 7.3%. In contrast, food and foodstuff prices declined by 1.8%. Looking ahead to 2018, although the recovery of commodities might exert some inflationary pressure, inflation is expected to remain below the Government target.

Credit growth was 18.2% whilst deposit growth was 16.9%. Liquidity remained stable with a loan-to-deposit ratio of 87.3% and low interbank rates of 1.0-1.5% per annum. Given the benign inflation environment and stable liquidity, credit institutions cut their interest rates by 20-30 bps on average in 2017 which in turn supported economic growth. Meanwhile, the average net interest margin ("NIM") of banks expanded to around 3.0% as they accelerated their retail loans, up 65%. Additionally, increased income allowed the banks to raise their provision costs by 25% therefore increasing loan loss reserves to 66% of total bad debts.

Bank restructuring is expected to continue in 2018 with focus centering on capitalisation and application of Basel II in 2020 and the acceleration of reducing bad debts. We believe that the banks could improve their capital positions as they build up capital through retained earnings following accelerated profit growth accrued in recent years. It is also important to note that most banks have plans to raise tier 1 capital, cementing our view. On the other hand, we are cognisant of a series of measures introduced by the Government to empower credit institutions when tackling non-performing loans that could factor into future performance as institutions are granted the power to sell collateral assets without approval from borrowers.

External position and currency: A stable year

Trade: Vietnam's exports continued to grow in strength and size recording a trade surplus of US$2.9 billion in 2017. Exports grew 21.2%, the highest level over the past five years whilst imports grew 20.8% to US$211.1 billion. This impressive export growth was partly due to significant contributions from FDI, totaling US$214.0 billion. Other key drivers of export growth were mobile phones (+31.9%) and electronic products (+36.8%) which comprised 33% of total export value. One of the fastest rising new export goods is fruit, totaling US$3.5 billion with astounding growth of 42.5% year-on-year.

The US and the EU remained Vietnam's two largest export markets at US$41.5 billion (+8.0%) and US$38.3 billion (+12.8%) respectively. We expect exports to the EU to increase in the near future given the Vietnam-EU Free Trade Agreement could be signed in 2018. Notably, exports to China soared by 60.6% to US$35.3 billion in 2017 primarily thanks to computers, electronic products, and mobile phones. As such, this narrowed the trade deficit with China to US$23.2 billion in 2017 compared to US$28.1 billion in 2016.

FDI: FDI disbursement climbed to a record high of US$17.5 billion (+10.8%) in 2017 while registered and additional FDI rose by 44% to nearly US$36 billion. Manufacturing and electricity production were the two sectors that continued to attract significant foreign investment and comprised 67.5% of the total registered foreign capital. Japan and Korea were the biggest investors in Vietnam with total committed capital of US$17.6 billion in 2017 between them. We maintain our view that FDI disbursement may have peaked and will likely decelerate in the coming years. As such, Vietnam might be more selective on capital allocation rather than focus on increasing the number and size of internationally financed projects.

INVESTMENT MANAGER'S REPORT (CONTINUED)

MACRO ECONOMY (CONTINUED)

Balance of Payments: The balance of payments recorded a surplus of US$4.8 billion in the ninth month of 2017, and the State Bank of Vietnam ("SBV") estimated foreign reserves at US$51.5 billion in 2017, compared to US$41 billion in 2016. Stronger FDI inflow, and increased US$ collection from State divestments assisted the SBV to purchase more than US$12 billion in 2017. Given the outlook for trade balance, FDI, and foreign inflows, we project a surplus of US$9.2 billion for 2018.

Currency: The Vietnamese Dong ("VND") remained stable, appreciating only 0.2% and closing at VND22,745 against the US Dollar. Vietnam's strong external position, the relatively weak US Dollar, and the SBV's flexible FX management were the key drivers behind the stable currency. Although the US Dollar could regain its strength in 2018, resilient US Dollar inflows are expected as part of the IPO pipeline and State divestments and, together with FDI disbursements, these developments should continue to support the currency.

Conclusion

We expect the economy will continue to perform well in 2018 and that the Government could achieve both its growth and stability targets. Strong US Dollar inflows should continue to support the currency and we expect the manufacturing sector, with the support of FDI and healthy local consumption, will be the core national growth engine in 2018. Meanwhile, inflationary pressure from the upward adjustment of healthcare and school fees might reduce as most provinces have already raised their fees. As such, inflation should stay within the Government's target.

STOCK MARKET

Market performance

The VN Index maintained its upward momentum in 2017 and climbed 52.8% (total return in US$ terms) to 984.24. Average daily trading values soared 71% to US$187 million and inflows from foreign capital strengthened with total net inflows of US$1.15 billion, compared to net outflows of US$345 million in 2016.

The year in review – A great year for the market: 2017 was a great year for the stock market as the VN Index registered its highest growth since 2010, primarily driven by the banking, foods & beverages and real estate & construction sectors. Although the market experienced some significant corrections following global and domestic political developments, as well as some profit taking, the VN Index could sustain its uptrend given solid corporate earnings growth and the strength of the macro economy. Our Top 50* stocks delivered 25% sales growth and 23% net profit after tax ("NPAT") growth in 2017.

Foreign capital inflow – Attraction from large-cap stocks and privatisations/IPOs: The market saw significant foreign inflows of US$1.15 billion in 2017, the highest in 10 years. Foreign investors mostly invested in large-cap stocks, given the positive economic outlook and corporate earnings growth. These investment choices were also due to the expectation of emerging market classification in the next couple of years. Specifically, these investments were concentrated in a few stocks, such as Vinamilk and Vincom Retail, which accounted for total net inflows of US$589 million in 2017.

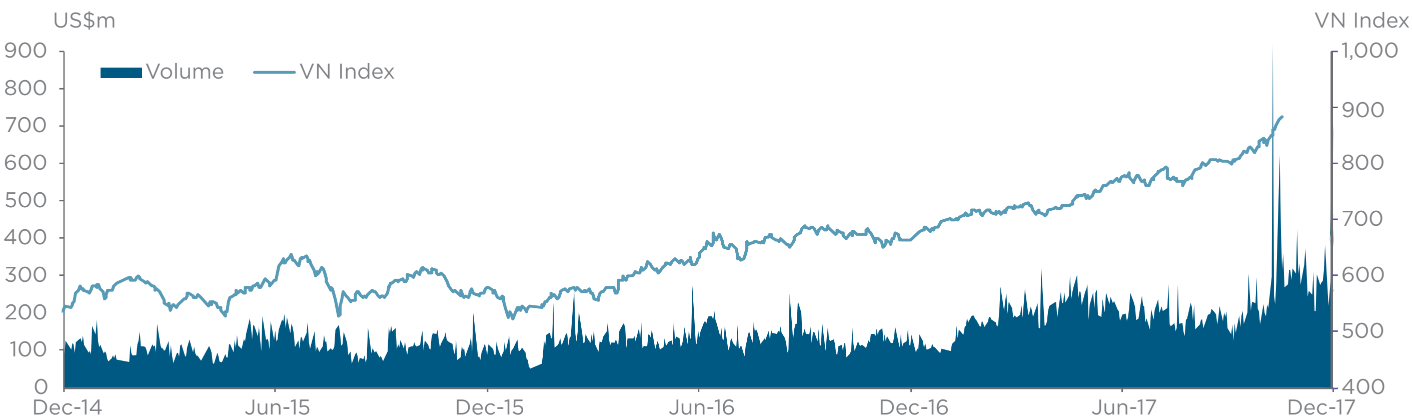
Privatisations and IPOs accelerated in 2017, attracting significant levels of foreign investment. Examples of this increased activity include Vincom Retail, which launched its IPO in October 2017 and raised more than US$700 million; HDBank, a mid-sized bank that completed a private placement of US$300 million; and other large IPOs such as Binh Son Refinery, Petro Vietnam Oil, Petro Vietnam Power, Vietnam Rubber Group and Power Generation Corporation 3.

Equity outlook

Ongoing privatisation and a strong IPO pipeline are expected to continue supporting the equity market and, as such, we believe Vietnam will remain a highly attractive investment destination. Our Top 50* stocks are forecast to deliver 25% EPS growth at 14.6x 12-month forward earnings, attractive compared to regional peers. The Government's ongoing efforts to reform the capital market to achieve emerging market status will also make Vietnam a more compelling investment.

*Dragon Capital's Top 50 stocks are comprised of those which meet the following criteria; (1) large market cap which represents Vietnam market and our portfolios; (2) forecastable earnings; and (3) investable with decent liquidity and corporate governance. Our Top 50 components are reviewed on quarterly basis to reflect new listings to the market.

VN INDEX INFORMATION (ROLLING 3-YEAR)



Source: Dragon Capital, Bloomberg

INVESTMENT MANAGER'S REPORT (CONTINUED)

FUND PERFORMANCE

VEIL delivered a stellar performance in 2017, increasing by 60.09%, outperforming the VN Index by 7.3%. This performance was driven by strength with NAV per share in the banking sector and VEIL's overweight holdings in ACB (+110.2%) and Military Bank (+99.1%). The real estate & construction sector also contributed to the Fund's performance with DIG (+177.7%), Dat Xanh Group (+109.3%) and Khang Dien House (+62.8%) performing strongly. That said, due to an underweight position in Vingroup the sector's overall contribution to VEIL was slightly under that of the Index. The transportation sector also performed well with ACV (+125.6%) and Vietjet Air (+95.5%) standing out. In the food and beverage sector, Vinamilk was the standout performer (+72.3%) and in the retail sector, Mobile World (+69.8%) performed well on the back of strong earnings growth. The biggest drag on VEIL's relative performance to its benchmark was its underweighted investments in the energy sector.

Attribution analysis

After a relatively quiet 2016, the banking sector was front and center in 2017's VN Index rally. VEIL's bank holdings rose by 88.7% (total return in US$ term) year-on-year and were the biggest contributor (+13.7%) to the Fund's overall performance. Both VEIL's largest bank positions more than doubled during 2017.

For ACB, 2017 should be the start of an important turnaround as it posted strong results for 2017 with pre-provisioning operating profit up by 81% year-on-year. Even so, ACB was conservative in its provisioning expense as 2017 was expected to be the last year it had to provision for a legacy loan. Meanwhile, profit before tax ("PBT") increased by 59.3% for the year. The shift towards more retail lending helped improve its asset yield from 8.1% to 8.3% in 2017. This improvement is expected to continue and coupled with the expected fall in provisioning suggests ACB is well-placed to deliver another good result in 2018.

The newly appointed CEO at Military Bank, Mr Luu Trung Thai, was instrumental in turning around the banks fortunes. With an emphasis on efficiency, profitability and transparency, Mr Thai has ushered in a new era of a more proactive Military Bank in which all of the previous key advantages were fully leveraged to deliver an improved performance and increased profitability. Net interest income grew 41%, fee income rose by 48.4% whilst NIM expanded 60bps to 3.9%. Similar to ACB, Military Bank was also prudent in its provisioning expense which increased 60% year-on-year. This led to a 39% increase in pre-provisioning operating profit and translated to a 26.4% growth in PBT. Looking to 2018, given its strong capital base we expect the bank's profit growth to accelerate as a result of NIM expansion and falling provisioning expense.

The real estate & construction sector was the second largest contributor to VEIL's 2017 return (+8.5%) led by three mid-cap companies, DIG (+177.7%), Dat Xanh Group (+109.3%) and Khang Dien House (+62.8%).

DIG has conducted an impressive turn-around in 2017. The stock was trading at a 30% discount to book value at the beginning of 2017 despite having over 1,000ha of undeveloped residential and resort land. A successful spin off of one of its assets, that generated VND1,000 billion in revenue, and a successful 49% State divestment resulted in a more dynamic utilisation of its assets.

Dat Xanh Group transformed from being the biggest property brokerage name in Vietnam into a fully-fledged property developer. In addition to strong performance from its traditional brokerage business, delivering a 99% increase in revenue year-on-year, it also successfully delivered the Opal Riverside project in 2017. The Group now turns its attention to the launch of its largest project to-date, the 3,100-unit Gem Riverside in the first half of 2018, which will be a key driver for Dat Xanh Group's performance over the next few years.

Khang Dien House continued to execute its strategy efficiently and took steps to consolidate its expansion. As such the swap for the 43% stake in Binh Chanh Construction Investment ("BCI"), a company which holds 400ha land bank in Ho Chi Minh City, was greeted with great enthusiasm.

Despite the strong performance, VEIL's real estate & construction sector contribution underperformed the VN Index by 0.5% mainly due to the rally of Vingroup (+84.5%) in which VEIL had an underweight holding.

The third largest contribution to VEIL's performance came from the transportation sector (+8.3%) represented by ACV (+125.6%) and Vietjet Air (+95.5%). Both companies benefited from booming tourism and air travel demand. ACV experienced 16% passenger growth for the year in 2017 whilst Vietjet Air reported 22% growth. The outlook remains positive for the transportation sector as demand from Vietnam's emerging middle income class for air travel grows.

The next notable contributor to VEIL's performance was the foods and beverages sector (+7.5%) driven by a stand-out performance from Vinamilk (+72.3%).

In the retail sector (+5.5%), VEIL's top holding, Mobile World, enjoyed another good year rising 69.8% with strong earnings growth of 39.8% in 2017.

VEIL's holdings in the energy sector (+2.5%) underperformed 4.0% compared to that of the VN Index due to the Fund's underweight holding in PV GAS (+70.5%) and not having invested in Petrolimex (+60.9%).

INVESTMENT MANAGER'S REPORT (CONTINUED)

FUND PERFORMANCE (CONTINUED)

Outlook

We remain positive on the market outlook for 2018 as we believe that the ongoing development of the market remains a key priority for the Government. Our view is further supported by the expectation of aan acceleration in privatisations and the number of IPOs, the growth of the futures market following its successful launch in 2017, as well as new product offerings with covered warrants being launched in the first half of 2018 together with market friendly policies.

VEIL will continue to focus on privatisations and IPOs in 2018. In the near-term, three companies in the energy sector, namely Binh Son Refinery (US$3.2 billion market capitalisation), Petro Vietnam Power (US$1.5 billion market capitalisation) and Petro Vietnam Oil (US$0.9 billion market capitalistion) are of particular focus to VEIL.

We will continue to apply fundamental analysis to select stocks. We believe that our emphasis on choosing fundamentally sound stocks at reasonable valuations yields better results over the medium to long term and better fits our mandate. Finally, we look forward to working closely with our investee companies as we continue to deliver strong returns and unlock more value for shareholders.

ASSET ALLOCATION BY ASSET CLASS[1]

	31 December 2017	31 December 2016
	%	%
Equities	93.2	94.5
OTC Equities	7.5	6.8
Others	2.5	0.4
Cash[2]	2.0	2.4
Loans	(5.2)	(4.1)
	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: Dragon Capital

ASSET ALLOCATION BY SECTOR[1]

	31 December 2017	31 December 2016
	%	%
Banks	22.3	15.2
Real Estate & Construction	18.4	17.7
Materials & Resources	10.5	10.0
Retail	10.1	6.8
Foods & Beverages	8.9	17.7
Transportation	8.4	7.7
Others	6.2	5.3
Diversified Financials	5.4	4.2
Software & Services	4.8	6.0
Energy	4.5	7.2
Consumer Durables	2.2	2.6
Cash[2]	2.0	2.4
Pharmaceuticals	1.5	1.3
Loans	(5.2)	(4.1)
	100.0	100.0

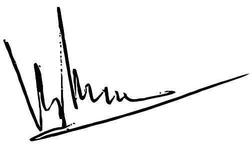
Source: Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

MAJOR SECTOR RETURN AND CONTRIBUTION

Sector	Portfolio return	VN Index return	Portfolio contribution
	%	%	%
Banks	88.7	61.6	13.7
Real Estate & Construction	48.1	59.9	8.5
Transportation	132.5	80.1	8.3
Foods & Beverages	60.0	44.5	7.5
Materials & Resources	64.3	35.3	6.2
Retail	65.7	59.2	5.5
Software & Services	59.3	55.8	3.2
Diversified Financials	54.3	70.7	2.6
Energy	58.0	57.6	2.5

Source: Dragon Capital, Bloomberg



Vu Huu Dien
Investment Manager
Vietnam Enterprise Investments Limited
17 April 2018

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.

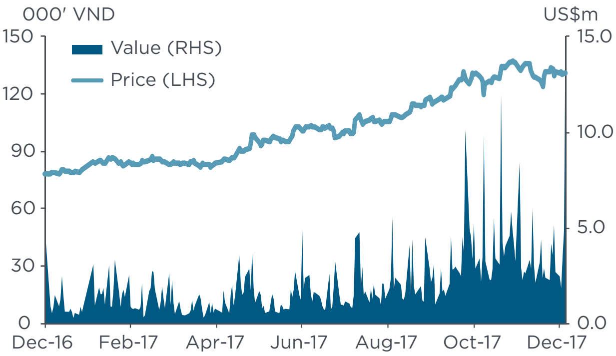
TOP TEN HOLDINGS

1. MOBILE WORLD

Mobile World is the largest retailer in Vietnam and one of the country's most sought after investments with net revenues of US$2.9 billion in 2017. This has been driven by its significant market share in the consumer electronics and mobile phone segment. Particularly, via "Dien May Xanh" and "The Gioi Di Dong" brandnames, Mobile World has achieved a 28% and 48% market share in CE and handset segments respectively. After its impressive success across these two verticals, Mobile World recently expanded into the grocery and fast-moving consumer goods sectors through the "Bach Hoa Xanh" segment. This move provides the business with an excellent platform to realise its vision of becoming a true retail giant.

In 2017, Mobile World recorded net profits of US$97 million, a 40% year-on-year increase from the prior year. At the end of 2017, Mobile World had in total 1,997 stores, including 1,072 mobile phone, 642 consumer electronics, and 283 grocery stores. We are confident of Mobile World's new groceries business "Bach Hoa Xanh", and that this new business will fuel its growth for the coming years. Mobile World sets 2018 revenue and net profit growth targets of 30% and 18%, respectively.

STOCK PRICE



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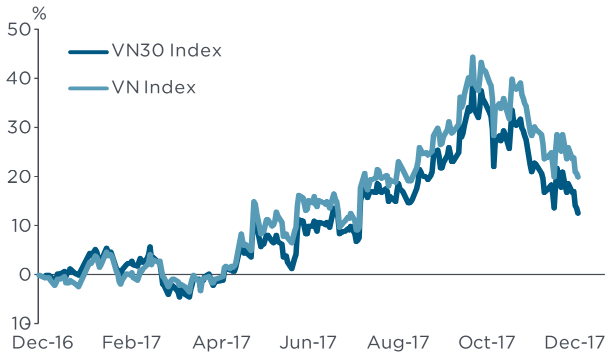


Source: Dragon Capital, Bloomberg

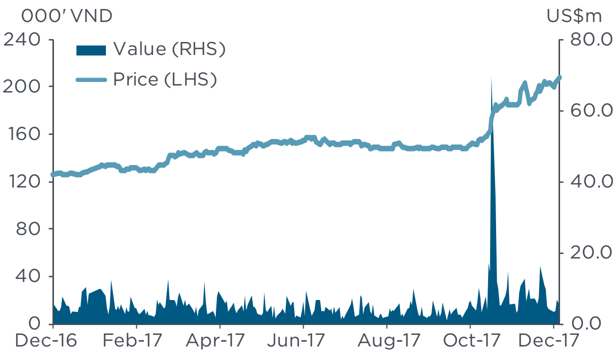
2. VINAMILK

Valued at US$13 billion, Vinamilk is still the largest food and beverage company in Vietnam. Vinamilk is also still the country's largest dairy producer, accounting for 50% of the market, according to research by Nielsen. Following a successful year, Vinamilk has plans for geographic expansion into other regional markets from 2018.

Vinamilk achieved impressive sales revenues of US$2.2 billion in 2017, up 9% year-on-year, which was largely fuelled by domestic sales growth of 14%. Vinamilk also recorded a net profit of US$453 million, up 10% year-on-year. Within Vietnam, Vinamilk continued to gain the market share in key categories, such as liquid and powdered milk. As the business positions itself to capitalise on further digitisation, Vinamilk anticipates that additional exposure to e-commerce will be an imperative sales medium over the next five years and is taking positive steps to prepare itself.

Also, in light of its declining export sales, Vinamilk has spent several years repositioning itself to penetrate other regional markets, including Myanmar, and possibly, China. Being able to access these significant markets will cement Vinamilk as the leading regional dairy producer, serving a combined population of three billion. However, the ability to access the Chinese market depends mostly on the effectiveness of the bilateral trade agreement between the Vietnamese and Chinese governments.

STOCK PRICE



PRICE RELATIVE

Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

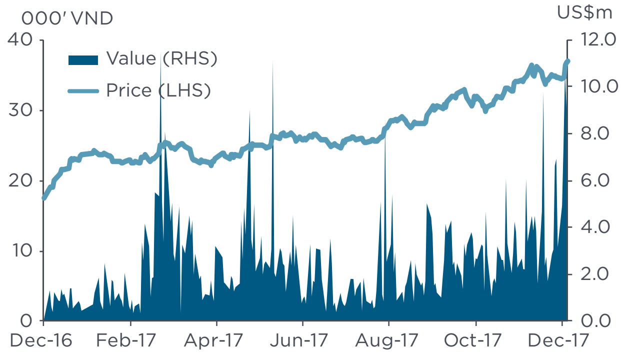
3. ACB

ACB is one of the leading private banks in Vietnam and is ranked seventh in terms of total assets. After a difficult 2012, following a litigation issue related to one of its 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. ACB has now completely resolved its legacy issues.

In 2017, ACB achieved PBT of VND2,656 billion, up 59.3% year-on-year. This impressive growth was driven by a 21.5% increase in outstanding loans, as well as a slight increase of 20bps in NIM to 3.5%. Meanwhile, fee income also increased healthily by 20.2% year-on-year. Through strong leadership and the effective execution of its operating strategy, ACB has been able to lower its cost-to-income ratio over the year from 52.9% in 2016 to 47.9% in 2017.

2018 is expected to be a strong year for ACB. Having cleared all historic issues, the business is able to focus on driving earnings. We are encouraged by ACB's recent performance and expect it to generate profits before tax of VND4,800 billion, an emphatic increase of 81% on the previous year.

STOCK PRICE



PRICE RELATIVE

Source: Dragon Capital, Bloomberg

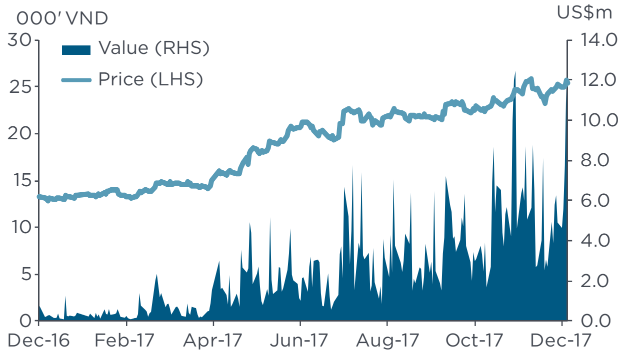
4. MILITARY BANK

Established in 1994 with the initial purpose of supporting the military's business activities, Military Bank has transformed into a premium financial institution providing services to almost all Vietnamese sectors. It now owns subsidiaries across a wide scope of financial services including M Credit (consumer finance), MIC (non-life insurance), MB Ageas Life (life insurance), and MB Securities (brokerage services). Military Bank listed on the stock exchange in 2011, has over 285 branches and sub-branches with on-going expansion plans, and employs approximately 13,000 staff.

In early 2017, the new CEO introduced a new, more retail focused strategy. As a consequence, Military Bank posted 26.4% growth in consolidated PBT in 2017 of VND4,616 billion.

These results are particularly encouraging as they have led to strong core earnings driven by 22.2% credit growth with a 48.4% year-on-year increase in fee-based income. In 2018, Military Bank is forecast to grow its loan book by 18-20% and undergo deposit growth of 13-14% while the unconsolidated PBT figure is expected to be up 40% to VND6,500 billion. It is evident that management's refreshed and more aggressive strategy is delivering value to shareholders.

STOCK PRICE



PRICE RELATIVE

Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

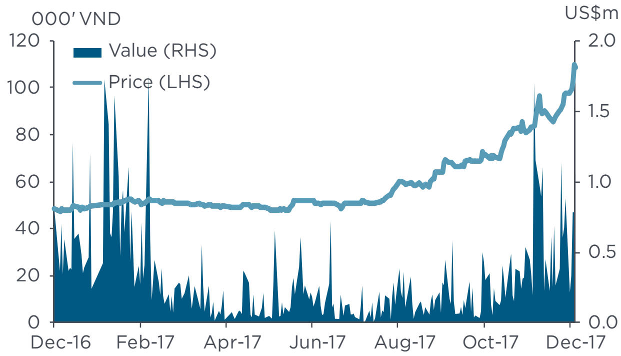
5. ACV

ACV is the sole airport operator in Vietnam. Its portfolio includes 22 airports across Vietnam, serving over 93 million passengers throughout 2017. At the end of February 2018 ACV had a market capitalisation of US$9 billion and it is understood that the Vietnamese Ministry of Transport is planning to reduce its stake from 95.4% to 75.4% in 2018.

While ACV's 2017 EBITDA was US$425 million, a 37% increase on last year, it is important to note that ACV's 2016 earnings consisted of only three quarters with it turning into a joint stock company in April 2016.

Building on this excellent progress ACV expects to continue seeing double digit growth in its passenger numbers over the next year given its expansion plans at key airports including Tan Son Nhat (Ho Chi Minh City), Da Nang, Cam Ranh (Nha Trang) and Phu Quoc; and it expects a significant increase in international passengers from China, Korea, Japan, South East Asia, and the US.

STOCK PRICE



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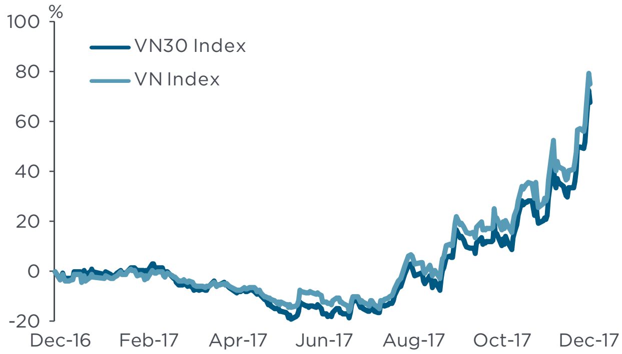


Source: Dragon Capital, Bloomberg

6. FPT

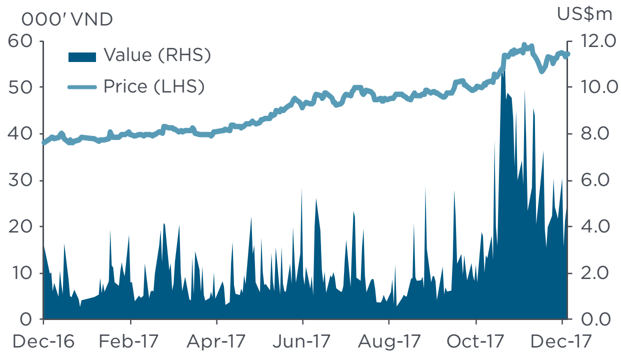
FPT is the strongest IT business in Vietnam with revenues and profits reaching in turn US$1.9 billion and US$128 million in 2017. FPT's major business verticals include Technology (Information Systems and Software Outsourcing), Telecoms, and Distribution/ Retailing of IT products.

2017 was a good year for FPT as the business recorded a 47% year-on-year net profit growth, of which the core-business posted a 9% increase and the remainder was thanks to one-off divestment income in two subsidiaries.

In 2017, Software Outsourcing was the strongest performing revenue and profit stream. A record-value contract of US$36.5m was signed in the Japanese market, the largest contract during 20-years of FPT Software's history. The segment continued to focus on Fortune 500 global companies, of which 75 have been FPT's clients, an increase of 51 companies compared with 2016.

We expect FPT's core business will grow by 15% in 2018.

STOCK PRICE



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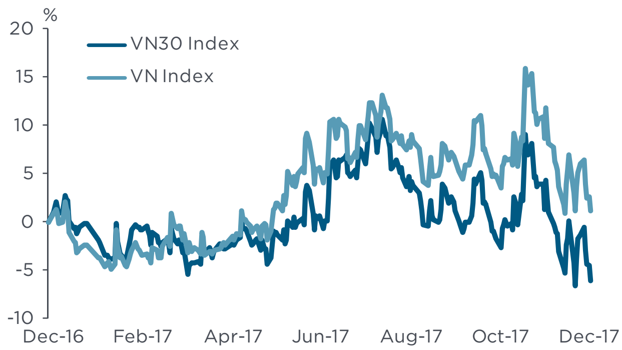


Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

7. KHANG DIEN HOUSE

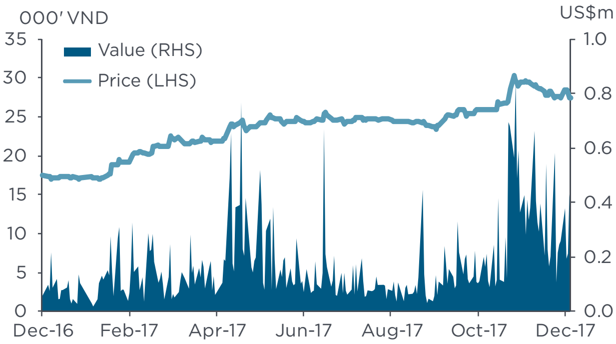
Khang Dien House is one of the largest mid-market developers in Ho Chi Minh City and has a current land bank of 500ha. Khang Dien House develops three to five projects per year and has recently entered the mid-range condo market following its success with the Jamila project.

Khang Dien House had an excellent 2017 selling 400 townhouses and 900 apartments. Further to this, Khang Dien House achieved 36% earnings growth in 2017 and expects to generate 50% in 2018. The business is well placed to achieve these targets following strong 2017 pre-sales.

In the first quarter of 2018, Khang Dien House received shareholders' approval to issue 37 million shares to increase its BCI stake from 57% to 100%. Once the transaction has been completed Khang Dien House will have diversified its business model and have the ability to develop larger projects as well as the smaller ones it currently undertakes.

Khang Dien House's stock has risen 63% in 2017, valuing the business at US$430 million, and we remain positive that Khang Dien House can continue to benefit from its strong brand name, cheap land bank, and favourable market conditions while building on its impressive track record.

STOCK PRICE



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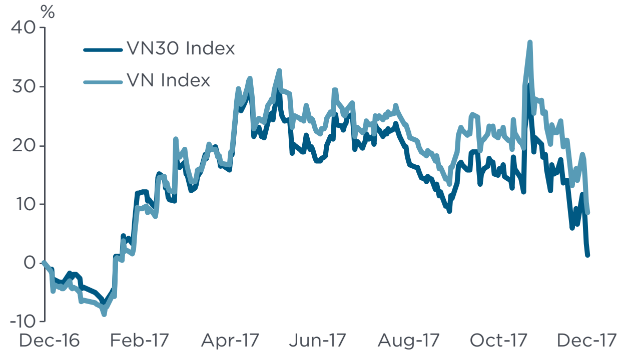


Source: Dragon Capital, Bloomberg

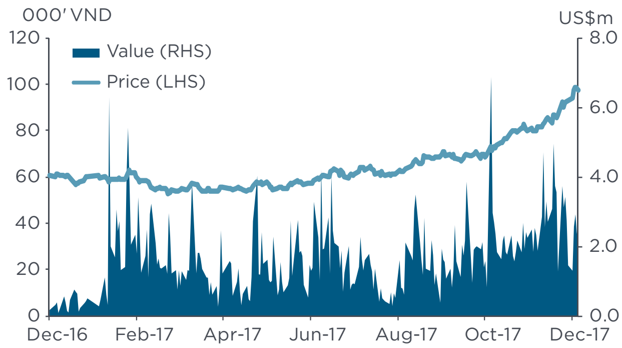
8. PV GAS

PV Gas is the largest oil-and-gas company in Vietnam. With the Vietnamese Government planning to reduce its stake in the business from 95% to 65%, we expect PV Gas to attract attention from a host of well-established investors interested in purchasing a stake.

PV Gas ended the year 2017 on a high note with revenues of US$2.9 billion, up 9.3% year-on-year, and profits up 36% to US$422 million. This strong performance was largely attributed to higher oil prices.

Looking ahead to 2018-2019, we expect PV Gas to continue to benefit from rising oil prices and we eagerly anticipate the businesses announcing its Ca Mau plant, which will begin contributing commercially from 2019.

STOCK PRICE



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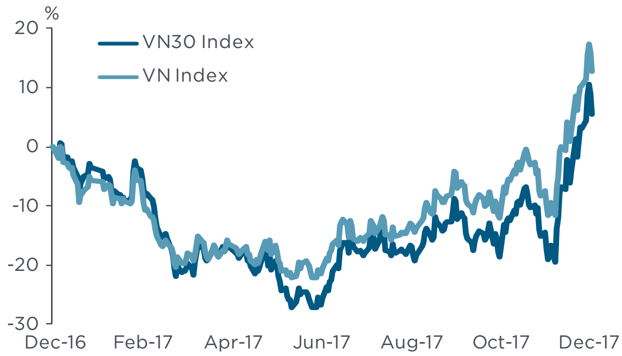


Source: Dragon Capital, Bloomberg

TOP TEN HOLDINGS (CONTINUED)

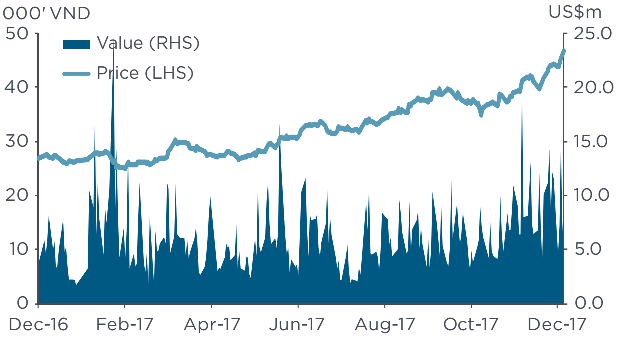
9. HOA PHAT GROUP

As a pillar of the Vietnamese economy and Vietnam's leading steel producer, we were encouraged to see that Hoa Phat Group had a record 2017.

Hoa Phat Group achieved record-high revenues of VND46,855 billion over the year, equating to a 33% year-on-year increase. It also achieved a 21% year-on-year uptick in NPAT to VND8,015 billion on the back of strong domestic demand for steel and expanding its market share to 24% from 22% in 2016.

With ambitions to become a prominent steel producer on a global scale, the Hoa Phat Group is progressing well with its substantial 5.5 million tonnes Dung Quat project. Hoa Phat Group will also venture into flat steel in addition to its traditional long and tubular steel product lines.

STOCK PRICE



PRICE RELATIVE

Source: Dragon Capital, Bloomberg

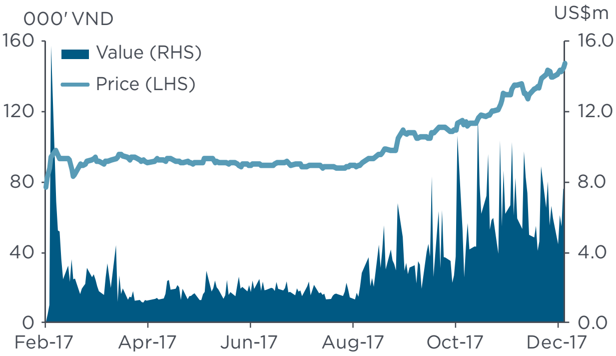
10. VIETJET AIR

Vietjet Air is a 100% private low cost airline whose first commercial flight was in December 2011. After six years of operation, Vietjet Air now has a 41% share of the domestic market and is Vietnam Airline's main competitor.

Vietjet Air posted outstanding earnings results in 2017 with revenue up 54% year-on-year to US$2 billion. Over the year its total passenger numbers grew 22% to 17 million and it increased its fleet size from 41 to 51 aircrafts.

We are highly encouraged by recent progress and expect Vietjet Air will continue to maintain passenger growth of over 15% a year given its expansion in international routes to China, Japan, Korea, Taiwan and India. It is also to increase frequency in the number of domestic routes to Vietnam's second tier cities thanks to the duopoly market in Vietnam airline industry.

STOCK PRICE



PRICE RELATIVE

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 (the "UK 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 2016. 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 year ended 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 an 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 this annual report.

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

LISTING RULE 9.8.4C

Listing Rule 9.8.4C requires VEIL to include certain information in a single identifiable section of this annual report or a cross reference table indicating where the information required in LR 9.8.4 R is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(5) and LR 9.8.4(6), the information of which is detailed in Note 12 to the financial statements (under "Directors' fees").

DIRECTORS

The following were Directors during the year to 31 December 2017 and to the date of this report:

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTORS (CONTINUED)

The Board consists of five Non-Executive Directors, four 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 VEIL's affairs. The biographical details of the Directors are provided on page 30.

Marc Faber resigned on 19 October 2017.

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 Chairman of the Audit Committee, the Chairman of the Management Engagement, Nomination & Remuneration Committee, the 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 as details of Board Committees and their composition are disclosed in this Corporate Governance Statement. 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, which 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 at 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 reviewing the portfolio performance, attribution analysis, contributors and detractors to performance, weightings and portfolio information including purchases and sales, as well as the macro economy and stock market outlook.

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

DIRECTORS' DUTIES AND RESPONSIBILITIES (CONTINUED)

The Board continually monitors the share price discount to Net Asset Value ("NAV") daily and exercises its right to buy back shares when the Board considers that it 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.

BOARD AND COMMITTEES

The Board has established two committees, the Audit Committee and the Management Engagement, Nomination & Remuneration Committee. The responsibilities of the 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 the listing of VEIL on the main market of the London Stock Exchange on 5 July 2016, comprises:

Stanley Chou, Chairman

Gordon Lawson

Derek Loh

Detailed information on the Audit Committee can be found in the Report of the Audit Committee on pages 28 to 29.

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. As of 31 December 2017, the Committee comprises:

Derek Loh, Chairman ad interim (from 5 July 2016, appointed as Chairman ad interim on 25 October 2017)

Wolfgang Bertelsmeier (from 5 July 2016)

Gordon Lawson (from 25 October 2017)

Marc Faber (from 5 July 2016 to 19 October 2017)

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 page 30. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thought, experience and qualifications.

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 and 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' interests (including interests of connected persons) can found within the Report of the Board of Directors on pages 34 to 36.

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

MANAGEMENT ENGAGEMENT, NOMINATION & REMUNERATION COMMITTEE (CONTINUED)

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

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 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 the Custodian. The Directors are satisfied with the quality of the administrative and other services provided by the Administrator and the Custodian.

DIRECTORS' REMUNERATION REPORT

The Management Engagement, Nominations & Remuneration Committee, which comprises Derek Loh (Chairman ad interim of the Committee), Wolfgang Bertelsmeier and Gordon Lawson, 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 Restated and Amended Memorandum and Articles of Association (the "Articles") which limit the aggregate fees payable to the Board of Directors per annum, currently US$200,000. The level of the cap may be increased by shareholders' resolutions 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 by 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. The Board is presently undertaking a review of its composition to ensure thorough and complete gender and ethnic diversity so as to ensure that the interests of the Company are fully protected and preserved.

At 31 December 2017, the Board consisted of four 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 Annual General Meeting ("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 the Management Engagement, Nomination & Remuneration Committee which regularly reviews the Board's 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.
- The 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 the 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 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 VEIL's Articles.

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 VEIL's business. Directors' holdings in VEIL can be found within the Report of the Board of Directors on pages 34 to 36.

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)

PERFORMANCE EVALUATION (CONTINUED)

As a matter of good corporate governance and with a view to enhancing and aiding effectiveness and performance, the Board retained an independent third party specialist, Trust Associates Ltd, in the third quarter of 2017 to undertake an evaluation and review of the Board as a collective whole, in particular its operation and effectiveness, and to provide a report to the Board. There is no connection between the Company and Trust Associates Ltd. The report, while not available prior to 31 December 2017, was subsequently issued in early 2018. The report, which was generally positive, was presented to the Board for consideration and discussion. Recommendations included formalising an evaluation process for risk and directors' appraisal, enhanced interaction with portfolio companies and shareholders, and the creation of a separate sub-committee for Management Engagement from Remuneration and Nomination. The Board is now actively engaged in implementing not only the best practices gleaned from the report but also ensuring thorough ethnic and gender diversity representation on the Board, bearing in mind at all times the best interests of the Company.

INDUCTION/INFORMATION AND PROFESSIONAL DEVELOPMENT

The Directors are provided, on a regular basis, with key information on 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, he/she will be provided with all relevant information regarding VEIL and his/her duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Manager in order to learn more about its processes and procedures. No new Director was appointed for the year ended 31 December 2017.

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

The table below lists the number of board and committee meetings attended by each Director. During the year ended 31 December 2017, there were five board meetings, two Audit Committee meetings and three Management Engagement, Nomination & Remuneration Committee meetings:

Director	Board Meetings Attended	Audit Committee Attended	Management Engagement, Nomination& Remuneration Committee Attended
Wolfgang Bertelsmeier	5/5	n/a	3/3
Stanley Chou	5/5	2/2	3/3
Derek Loh	5/5	2/2	n/a
Gordon Lawson	5/5	2/2	n/a
Dominic Scriven	5/5	n/a	n/a
Marc Faber (*)	3/5	n/a	2/3

(*) Marc Faber resigned on 19 October 2017.

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 NAV. With effect from 1 August 2017, the annual management fee payable to the Company's Investment Manager, Enterprise Investment Management Limited, was amended from the 2.00% of net assets per annum as follows: the fee of 2.00% per annum continued to apply to the first US$1.25bn of VEIL's net assets but shall reduce to 1.75% per annum for net assets between US$1.25bn and US$1.5bn and further reduce to 1.50% per annum for net assets above US$1.5bn. The Investment Manager is not entitled to a performance fee.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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 Investment Manager has invested the assets of the Company with a view to spreading the investment risk in accordance with its published investment policy.

The Board continues to believe that in light of 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 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. 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 ongoing 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, which 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 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 Manager, with ad hoc reports and information supplied to the Board as required. The Investment Manager takes decisions as to the purchase and sale of individual investments, within the delegated authority established by the Board. The Investment Manager complies with the risk limits as determined by the Board and has systems in place to monitor cash flow and the liquidity risk of VEIL.

The Investment Manager 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 Manager, 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 Manager 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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.

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 a 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 73 or contact the Investment Manager using the contact details also provided on page 73.

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

Detailed information on the risk management and internal controls in relation to VEIL's financial reporting process can be found in the Report of the Audit Committee on pages 28 to 29.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors confirm that they have carried out a robust assessment of the principal risks facing VEIL, including those that would threaten its business model, future performance, solvency or liquidity. 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.

VIABILITY STATEMENT

In accordance with Principle 21 of the AIC Code the Directors have assessed the prospects of the Fund over a 3-year period to 31 December 2020. The Directors believe that this period is appropriate because it would provide the Investment Manager the time needed to successfully unlock value of the Fund's underlying portfolio.

In its assessment of the viability of the Fund, the Directors have considered each of the Fund's principal risks and uncertainties including the total collapse of one or more of the Fund's significant holdings together with the Fund's income and expenditure projections, credit facility and assets that are easily realisable and that can be sold to meet funding requirements.

Following the Board's detailed analysis, it has concluded that, based on the Fund's current position, the principal risks that it faces and their potential impact on its future development and prospects, there is a reasonable explanation that the Fund will be able to continue in operation and meet its liabilities and they fall due over the 3-year period to 31 December 2020.

GOING CONCERN

The Directors have reviewed the liquidity of the Fund's portfolio and the Fund's ability to meet its obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved. On the basis of that review and after due consideration of the balance sheet and activities of the Fund and the Fund's assets, liabilities, commitments and financial recourses, the Directors have concluded that the Fund has adequate resources to continue its operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

ANNUAL GENERAL MEETING

The AGM took place at 1101-02, 11/F, Euro Trade Centre, 21-23 Des Voeux Road, Central, Hong Kong on 6 June 2017 at 11:00am (Hong Kong time).

The result of this AGM can be found on page 31.

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%. 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. VEIL, 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.

VEIL announced that it has purchased the following number of its ordinary shares of US$0.01 (the "Shares") for the year ended 31 December 2017:

Date of purchase	Number of Shares purchased	Highest price paid per Share	Lowest price paid per Share	Average price paid per Share
20 February 2017	270,066	320.50	320.25	320.50
21 February 2017	250,000	321.00	321.00	321.00
23 February 2017	275,000	322.00	322.00	322.00

The Shares repurchased are held in treasury. The Company held 795,066 Shares in treasury as of 31 December 2017.

Following the above purchases, the total number of Shares in issue was 220,125,680 (excluding Shares held in treasury) as of 31 December 2017. This number represents the total voting rights in the Company and may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure Guidance and Transparency Rules.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

AUTHORITY TO SHARE BUY BACKS AND DISCOUNT (CONTINUED)

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 AGM on 7 December 2016.

Under the FCA's 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% 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% 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 7:30am 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.

The shareholders approved again at VEIL's AGM on 6 June 2017 a special resolution to undertake share purchases with the same terms and conditions with the special resolution at the AGM held on 7 December 2016. There was no further share purchase from this AGM date until 31 December 2017.

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 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 2017, VEIL had been notified that the following were interested in 10% or more of the issued capital of VEIL:

Name	Number of shares	%
Computershare Investor Services PLC	220,902,746	100

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

RESPONSIBLE INVESTMENT (CONTINUED)

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. The Vietnam Corporate Governance Scorecard is available at:
http://www.ifc.org/wps/wcm/connect/region__ext_content/ifc_external_corporate_site/east+asia+and+the+pacific/resources/corporate+governance+scorecard+for+vietnam+2012

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 2016.

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 Audit Committee has met twice to assess the prospects of the Company and principal risks facing the Company. The Audit Committee, as a result, reasonably expects that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

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 semi-annual 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, 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)

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS 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 2017. 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 in 2008 and during the audit tenure from 2008 to 2017, three audit partners have been rotated to perform the service.

KPMG's rotation policies are consistent with the IESBA Code of Ethics and require the firm to comply with any stricter applicable rotation requirements. The firm's 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's 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 was work that they were 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:

	2017	2016
	US$	US$
Audit fee	83,000	69,000
Listing advisory fee (led by KPMG UK)	-	149,450
Total	83,000	218,450

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 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.

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.

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.

ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING SUMMARY

The Company announced that at the AGM of the Company held on 6 June 2017, the resolutions numbered 1 to 9 in the notice of meeting for the AGM were all passed by the required majority on a poll vote. The votes made in relation to the resolutions proposed at the AGM were as follows:

Ordinary resolutions

1) To receive and adopt the audited financial statements for the year ended 31 December 2016 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 re-elect Stanley Yu-Chung Chou as a Director of the Company.
4) To re-elect Marc Faber 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) he authority conferred by this resolution shall expire on 31 December 2018 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.

NAME ABBREVIATIONS

In the financial statements for the year ended 31 December 2017, entities or securities are referred to by their short names as follows:

FULL NAME BY SECTOR	SHORT NAME
Automobiles	
Vietnam Engine and Agricultural Machinery Corporation	VEAM
Banks	
Asia Commercial Joint Stock Bank	ACB
Ho Chi Minh City Development Joint Stock Commercial Bank	HDB
Joint Stock Commercial Bank for Foreign Trade of Vietnam	VCB
Military Commercial Joint Stock Bank	MBB
Vietnam Joint Stock Commercial Bank for Industrial and Trade	CTG
Vietnam Prosperity Joint Stock Commercial Bank	VPB
Capital goods	
Power Construction Joint Stock Company No. 1	PC1
Refrigeration Electrical Engineering Corporation	REE
Consumer Durables	
Dien Quang Lamp Joint Stock Company	DQC
Phu Nhuan Jewelry Joint Stock Company	PNJ
Vietnam National Textile And Garment Group	VGT
Diversified Financials	
Ho Chi Minh City Infrastructure Corporation	CII
Masan Group Corporation	MSN
Sacom Investment and Development Corporation	SAM
Saigon Securities Incorporation	SSI
Vietcapital Securities Joint Stock Company	VCI
Energy	
PetroVietnam Drilling And Well Services Corporation	PVD
PetroVietnam Gas Corporation	GAS
PetroVietnam Technical Services Corporation	PVS
Foods & Beverages	
Saigon Beer Alcohol Beverage Corporation	SAB
Vietnam Dairy Products Joint Stock Company	VNM
Vinh Hoan Corporation	VHC
Funds	
Vietnam Securities Investment Fund - VF2	VFMVF2

NAME ABBREVIATIONS (CONTINUED)

FULL NAME BY SECTOR	SHORT NAME
Materials & Resources	
Besra Gold	Besra Gold
Hoa Phat Group Joint Stock Company	HPG
Hoa Sen Group	HSG
Nam Kim Steel Joint Stock Company	NKG
PetroVietnam Ca Mau Fertilizer	DCM
Viglacera Corporation	VGC
Pharmaceuticals	
Imexpharm Pharmaceutical Joint Stock Company	IMP
Real Estate & Construction	
Binh Chanh Construction Investment Joint Stock Company	BCI
Cotec Construction Joint Stock Company	CTD
Dat Xanh Real Estate Service & Construction Corporation	DXG
Development Investment Construction Joint Stock Company	DIG
Ha Do Group Joint Stock Company	HDG
Hai Phat Investment Joint Stock Company	HPI
Investment and Industrial Development Corporation	BCM
Khang Dien House Trading & Investment Joint Stock Company	KDH
Kinh Bac City Development Share Holding Corporation	KBC
Nam Bay Bay Investment Corporation	NBB
Novaland Group	NVL
Song Da Urban & Industrial Zone Investment and Development Joint Stock Company	SJS
Tin Nghia Corporation	Tin Nghia
Vietnam Urban and Industrial Zone Development Investment Corporation	IDC
Vincom Retail Joint Stock Company	VRE
Vingroup Joint Stock Company	VIC
Retail	
FPT Retail Joint Stock Company	FPR
Mobile World Investment Corporation	MWG
Software & Services	
FPT Corporation	FPT
Transportation	
Airport Corporation of Vietnam	ACV
Vietjet Aviation Joint Stock Company	VJC
Vietnam Container Shipping Joint Stock Company	VSC

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 2017.

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 2017 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 2017 (2016: Nil).

SHARE CAPITAL

Details of movements in the Company's share capital during the year are presented in Note 10. As at 31 December 2017, the Company had 220,125,680 Ordinary Shares and 1,000 Management Shares outstanding (31 December 2016: 220,920,746 Ordinary Shares and 1,000 Management Shares).

DIRECTORS

The Directors of the Company during the year were:

Wolfgang Bertelsmeier	Chairman & Independent Non-Executive Director
Stanley Chou	Senior Independent Non-Executive Director
Derek Loh	Independent Non-Executive Director
Gordon Lawson	Independent Non-Executive Director
Dominic Scriven	Non-Executive Director
Marc Faber	Independent Non-Executive Director (until 19 October 2017)

In accordance with Article 91 of the Restated and Amended Memorandum and Articles of Association (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 6 June 2017 following the expiry of their respective term. Dominic Scriven also submitted himself for re-election, even though the Articles do not explicitly require him to stand for election, and was duly re-appointed. Marc Faber resigned on 19 October 2017.

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. On 5 February 2018, Dominic Scriven bought 36,423 Ordinary Shares of the Company, equivalent to 0.017% of the outstanding issued Ordinary Shares (see Note 16 to the financial statements). 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 2017, Dragon Capital Markets Limited beneficially held 3,700,359 Ordinary Shares of the Company for investment and proprietary trading purposes (31 December 2016: 3,700,359 Ordinary 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 2017 (31 December 2016: 25,000 Ordinary Shares).

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 2017, the Company's register of shareholders showed that the following shareholder 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 (*)	220,902,746	100%

(*) Computershare Investor Services PLC acts as depositary in respect of a facility for the issue of depositary interests 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 2017 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.

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 Financial Conduct Authority Disclosure Guidance 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; and
- 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.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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 2017, and of its financial performance and its cash flows for the year then ended in accordance with IFRS.

Signed on behalf of the Board by:

Wolfgang Berterlsmeier
Chairman
17 April 2018

Signed on behalf of the Audit Committee by:

Stanley Chou
Chairman of the Audit Committee
17 April 2018

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

Opinion

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 2017, the statements of comprehensive income, changes in net assets attributable to holders of Ordinary Shares and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information, as set out on pages 41 to 72.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 as at 31 December 2017 are unlisted securities investments of US$117,247,699 (7.32% 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 quoted in an active market, and the determination of the inputs applied in valuation models may be highly subjective (e.g. earnings multiples, cash flow projections, discount rate). 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.

Other Information

The Board of Directors 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KPMG

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

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal controls as the Board of Directors 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, the Board of Directors 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 the Board of Directors 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.

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 the Board of Directors.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

KPMG

- Conclude on the appropriateness of the Board of Directors' 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.

On behalf of KPMG Limited's Branch in Ho Chi Minh City
Vietnam
Audit Report No.: 17-01-481

M.S.C.N: 0100112043-00 CHI NHÁNH CÔNG TY TNHH KPMG THÀNH PHỐ HỒ CHÍ MINH

Tran Dinh Vinh
Deputy General Director

17 April 2018

VIETNAM ENTERPRISE INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	31 December 2017 US$	31 December 2016 US$	Change in %
CURRENT ASSETS				
Financial assets at fair value through profit or loss	5	1,602,661,219	995,759,344	
Other receivables		1,134,004	436,608	
Balance due from brokers	6	-	720,731	
Cash and cash equivalents	7	32,443,551	19,837,882	
		1,636,238,774	1,016,754,565	60.93
CURRENT LIABILITIES				
Borrowings	8	80,000,000	40,000,000	
Accounts payable and accruals	9	2,961,669	1,951,794	
		82,961,669	41,951,794	97.75
NET ASSETS		1,553,277,105	974,802,771	59.34
EQUITY				
Issued share capital	10	2,201,266	2,209,217	
Share premium	10	560,096,358	563,283,425	
Retained earnings		990,979,481	409,310,129	
TOTAL EQUITY		1,553,277,105	974,802,771	59.34
NUMBER OF ORDINARY SHARES IN ISSUE	11	220,125,680	220,920,746	
NET ASSET VALUE PER ORDINARY SHARE	11	7.06	4.41	60.09

Approved by the Board of Directors on 17 April 2018

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 COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017	2016
		US$	US$
INCOME			
Bank interest income		15,834	47,210
Dividend income		9,171,229	7,582,111
Net changes in fair value of financial assets at fair value through profit or loss	5	584,221,626	162,976,600
Gains on disposals of investments		18,234,758	33,038,858
Other income		23,977	736,650
TOTAL INCOME		611,667,424	204,381,429
EXPENSES			
Administration fees	12	(1,194,259)	(967,680)
Custodian fees	12	(754,817)	(590,575)
Directors' fees	12	(150,007)	(176,712)
Management fees	12	(24,122,990)	(17,759,320)
Legal and professional fees	12	(553,497)	(1,610,626)
Restructuring fee of short-term borrowings		(1,590,000)	(260,000)
Interest expense		(1,246,673)	(337,530)
Withholding taxes		(39,636)	(24,144)
Other operating expenses		(347,256)	(385,751)
TOTAL EXPENSES		(29,999,135)	(22,112,338)
NET PROFIT BEFORE EXCHANGE LOSSES		581,668,289	182,269,091
EXCHANGE LOSSES			
Net foreign exchange gains/(losses)		1,063	(119,198)
PROFIT BEFORE TAX		581,669,352	182,149,893
Income tax	13	-	-
NET PROFIT AFTER TAX FOR THE YEAR		581,669,352	182,149,893
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		581,669,352	182,149,893
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		581,669,352	182,149,893
BASIC EARNINGS PER ORDINARY SHARE	14	2.64	0.82

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 SHARES

For the year ended 31 December 2017

	Issued share capital	Share premium	Retained earnings	Total
	US$	US$	US$	US$
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 1 January 2017	2,209,217	563,283,425	409,310,129	974,802,771
Total comprehensive income for the year:				
Net profit for the year	-	-	581,669,352	581,669,352
Transactions with shareholders, recognised directly in equity:				
Repurchase of Ordinary Shares	(7,951)	(3,187,067)	-	(3,195,018)
Balance at 31 December 2017	2,201,266	560,096,358	990,979,481	1,553,277,105

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 2017

	Note	2017	2016
		US$	US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		581,669,352	182,149,893
Adjustments for:			
Bank interest income		(15,834)	(47,210)
Dividend income		(9,171,229)	(7,582,111)
Net changes in fair value of financial assets at fair value through profit or loss		(584,221,626)	(162,976,600)
Gains on disposals of investments		(18,234,758)	(33,038,858)
		(29,974,095)	(21,494,886)
Net cash flow from subsidiaries carried at fair value		23,722,850	50,962,362
Changes in other receivables		403,877	(1,431,346)
Changes in balances due to brokers and accounts payable and accruals		1,009,875	(5,648,877)
		(4,837,493)	22,387,253
Proceeds from disposals of investments		86,491,374	80,210,782
Purchases of investments		(114,659,715)	(126,184,230)
Bank interest income received		15,834	8,202,341
Dividends received		8,790,687	47,210
Net cash used in operating activities		(24,199,313)	(15,336,644)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short term borrowings		40,000,000	20,000,000
Repurchase of Ordinary Shares		(3,195,018)	-
Net cash generated from financing activities		36,804,982	20,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		12,605,669	4,663,356
Cash and cash equivalents at the beginning of the year		19,837,882	15,174,526
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	7	32,443,551	19,837,882

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 2017

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 July 2016: listed on the Irish Stock Exchange). The Company is established for an unlimited duration.

The Company had the following investments in subsidiaries and joint operations as at 31 December 2017, for the purpose of investment holding:

Subsidiaries	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%
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%
Asia Reach Investment Limited (*)	British Virgin Islands	Investment holding	100%

(*) In 2017, the Company acquired 100% of the new subsidiary - Asia Reach Investment Limited.

Joint operation	Country of incorporation	Principal activities	% ownership
Dragon Financial Holdings Limited	British Virgin Islands	Investment holding	90%

As at 31 December 2017 and 31 December 2016, 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 2017 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).

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

2. BASIS OF PREPARATION (CONTINUED)

(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.

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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

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.

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 investments.

Financial assets at amortised cost

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

Financial liabilities at amortised cost

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

(ii) Recognition

Financial assets and financial liabilities at fair value through profit or loss are initially recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date on which they are originated.

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. Other financial assets or financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of listed investments is determined based on quoted market prices on a recognised exchange 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 use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation techniques incorporate all of the factors that market participants would take into account in pricing a transaction.

(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.

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) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

(e) Share capital

Issuance of share capital

Management Shares and Ordinary 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 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.

(f) 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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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.

(h) 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.

(i) 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.

(j) 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 and foreign exchange differences, but excludes interest and dividend income, and dividend expense on securities sold short.

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

(k) Expenses

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

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

The Company presents basic earnings per share ("EPS") for its Ordinary Shares. Basic EPS is calculated by dividing net profit attributable to the Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year. The Company did not have potentially dilutive shares as of 31 December 2017 and 31 December 2016.

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

(m) 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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Corporation ("HSC") and Vietnam Investment Fund Management Joint Stock Company ("VFM") and its funds under management) are also considered related parties to the Company.

(n) 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 2017, and earlier application is permitted. However, the Company has not early applied the following new or amended standards in preparing these financial statements.

The one new standard potentially relevant to the Company is IFRS 9 *Financial Instruments*, which is discussed below.

(i) IFRS 9 *Financial Instruments*

The Company is required to adopt IFRS 9 *Financial Instruments* from 1 January 2018. IFRS 9 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.

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

This standard includes 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"). It 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:

- 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' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Hedge accounting

The Company does not apply hedge accounting, therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Company.

Transition

Changes in accounting policies resulting in adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior years with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made by the Company on the basis of the facts and circumstances that exist at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL.

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. On 5 February 2018, Dominic Scriven bought 36,423 Ordinary shares of the Company, equivalent to 0.017% of the outstanding issued Ordinary shares (see Note 14). 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 2017, Dragon Capital Markets Limited beneficially held 3,700,359 Ordinary Shares of the Company for investment and proprietary trading purposes (31 December 2016: 3,700,359 Ordinary 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 2017 (31 December 2016: 25,000 Ordinary Shares).

During the year, the Directors, with exception of Dominic Scriven, earned US$150,007 (2016: US$176,712) 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$193,253 (2016: US$184,154). As at 31 December 2017, broker fee payable to this broker is US$2,470 (31 December 2016: nil).

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$20,545 (2016: US$17,369,503). As at 31 December 2017, there was no payable amount to this party (31 December 2016: nil).

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2017	31 December 2016
	US$	US$
Directly held investments (a)	547,011,237	329,143,330
Investments in subsidiaries (b)	1,055,649,982	666,616,014
	1,602,661,219	995,759,344

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

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

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

	31 December 2017	31 December 2016
	US$	US$
Listed investments		
Investments, at cost	231,428,645	222,858,809
Unrealised gains	265,213,203	96,205,034
At carrying value (d)	496,641,848	319,063,843
Unlisted investments		
Investments, at cost	50,225,446	12,392,183
Unrealised gains/(losses)	143,943	(2,312,696)
At carrying value (d)	50,369,389	10,079,487
	547,011,237	329,143,330

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

	31 December 2017	31 December 2016
	US$	US$
Opening balance	329,143,330	227,918,319
Purchases	114,659,715	126,184,230
Sales	(68,256,616)	(47,171,924)
Unrealised gains	171,464,808	22,212,705
Closing balance	547,011,237	329,143,330

(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 an increase/reduction in the fair value of the subsidiary.

The net asset of the Company's subsidiaries comprised:

	31 December 2017	31 December 2016
	US$	US$
Cash and cash equivalents	31,559,842	31,817,639
Financial assets at fair value through profit or loss (c)	1,018,259,850	662,690,197
Other receivables	741,163	4,243,009
Balances due from brokers	5,089,127	-
Total assets	1,055,649,982	698,750,845
Balance due to brokers	-	(32,134,831)
Total liabilities	-	(32,134,831)
Net asset	1,055,649,982	666,616,014

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

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

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

	31 December 2017	31 December 2016
	US$	US$
Opening balance	666,616,014	576,814,481
Net cash flows from subsidiaries	(23,722,850)	(50,962,362)
Fair value movements on investment entity subsidiaries	412,756,818	140,763,895
Closing balance	1,055,649,982	666,616,014

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

	31 December 2017	31 December 2016
	US$	US$
Listed investments:		
Investments, at cost	528,505,794	410,126,668
Unrealised gains	422,875,746	191,760,310
At carrying value (d)	951,381,540	601,886,978
Unlisted investments:		
Investments, at cost	57,078,916	55,984,424
Unrealised gains	9,799,394	4,818,795
At carrying value (d)	66,878,310	60,803,219
	1,018,259,850	662,690,197

Movements of investments held by the Company's subsidiaries during the year were as follows:

	31 December 2017	31 December 2016
	US$	US$
Opening balance	662,690,197	567,536,076
Purchases	247,949,253	200,240,141
Sales	(128,475,635)	(148,385,517)
Unrealised gains	236,096,035	43,299,497
Closing balance	1,018,259,850	662,690,197

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

(d) As at 31 December 2017 and 2016, the Company held the following listed and unlisted investments directly and/or indirectly through its subsidiaries:

	The Company				Subsidiaries			
	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value
	US$	US$	US$	US$	US$	US$	US$	US$
Listed investments								
Vietnam listed equities:								
VNM	2,809,824	90,982,577	3,093,510	60,148,087	840,769	27,224,234	4,477,335	87,054,214
MWG	25,323,726	66,924,842	23,076,410	37,684,636	50,111,911	69,358,019	31,063,926	29,046,452
MBB	27,538,913	44,796,280	26,485,492	22,865,541	29,330,778	51,862,145	32,761,408	30,224,185
HPG	10,784,135	38,256,989	9,276,518	22,450,806	5,826,744	20,670,518	9,334,605	22,591,387
FPT	18,206,053	30,558,771	18,206,053	20,420,695	24,103,005	43,506,957	31,727,360	37,992,351
NKG	12,989,631	25,628,605	12,989,631	15,370,427	9,948,058	14,480,162	1,038,147	999,078
VCB	13,087,272	25,467,049	13,898,264	17,608,500	3,180,707	5,849,343	11,197,466	13,845,092
PC1	16,988,261	25,368,903	16,988,261	18,150,536	3,565,533	4,589,370	-	-
GAS	13,758,134	21,083,975	11,583,984	10,859,991	28,551,312	48,325,781	33,694,719	35,140,282
KDH	10,693,657	18,257,884	5,282,379	7,736,691	29,798,413	52,875,551	13,576,874	21,476,780
IDC (*)	14,730,997	16,973,725	-	-	9,146,954	10,892,314	-	-
VGC	9,607,893	16,275,485	3,848,569	4,031,444	15,127,123	26,189,581	5,907,096	6,377,743
PNJ	10,568,071	13,525,651	-	-	2,377,688	2,870,231	-	-
DIG	4,473,373	9,858,770	7,766,220	6,338,806	23,959,815	28,559,654	1,544,824	1,411,191
HSG	5,766,633	9,843,528	5,766,633	11,654,144	11,851,532	11,810,596	3,758,836	7,596,464
VRE	7,313,144	8,305,077	-	-	-	-	-	-
DXG	3,289,704	6,962,351	5,178,331	5,343,181	13,279,202	27,214,003	14,504,733	14,450,910
MSN	4,009,173	5,775,552	-	-	6,072,306	8,747,765	-	-
KBC	5,203,241	4,583,122	12,177,117	11,055,867	5,169,148	4,733,582	12,784,474	12,055,023
IMP	3,018,705	4,156,061	2,420,353	2,454,877	12,795,203	19,160,231	8,087,781	9,776,338
BCI	2,686,456	3,083,485	-	-	-	-	-	-
SAB	1,965,754	2,462,042	-	-	12,525,690	17,688,125	13,347,912	16,608,849
SSI	1,531,700	1,986,412	1,327,764	1,320,786	2,708,323	3,804,659	13,905,492	13,684,474
VGT (*)	2,073,027	1,814,259	-	-	10,883,392	9,524,858	-	-
SJS	1,246,919	1,790,969	1,246,919	1,394,458	3,855,567	5,639,658	3,855,567	4,391,066
SAM	1,654,221	1,786,618	1,654,221	1,648,900	3,611,243	3,900,273	3,611,243	3,599,629
DQC	110,028	132,866	-	-	8,442,534	6,696,403	8,442,534	10,223,373
ACB (**)	-	-	-	-	43,046,070	52,317,641	-	-
VPB	-	-	-	-	32,019,901	33,501,707	-	-
ACB	-	-	-	-	28,033,448	102,311,702	28,165,214	48,894,956
VCI	-	-	-	-	21,880,844	32,025,030	-	-
VJC	-	-	-	-	20,178,890	54,664,489	-	-
CTD	-	-	-	-	16,496,441	23,937,646	19,589,523	22,841,553

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

	The Company				Subsidiaries			
	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value
	US$	US$	US$	US$	US$	US$	US$	US$
CII	-	-	-	-	13,762,177	25,984,863	13,762,177	20,782,970
ACV (*)			-	-	9,507,086	76,478,611	13,737,092	49,363,944
HDG	-	-	-	-	6,752,782	11,188,094	6,752,782	7,758,295
VIC	-	-	-	-	3,984,109	6,399,401	-	-
NBB	-	-	-	-	5,781,096	6,398,343	-	-
NVL	-	-	17,711,599	20,877,036	-	-	15,409,310	23,648,325
CTG	-	-	8,368,314	6,412,677	-	-	10,303,635	7,895,722
VHC	-	-	4,549,925	5,584,296	-	-	2,768,623	3,477,993
PVD	-	-	3,497,695	2,745,879	-	-	8,441,708	5,470,903
DCM	-	-	3,506,299	2,695,244	-	-	5,363,420	4,122,787
PVS	-	-	2,958,348	2,210,338	-	-	17,472,958	13,339,917
REE	-	-	-	-	-	-	4,855,613	11,886,140
VSC	-	-	-	-	-	-	4,882,281	3,858,592
Total listed investments	231,428,645	496,641,848	222,858,809	319,063,843	528,505,794	951,381,540	410,126,668	601,886,978

(*) IDC, VGT and ACV are listed on Unlisted Public Company Market ("UPCoM").
(**) This ACB P-note held under Asia Reach Investment Limited.

	The Company				Subsidiaries			
	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value
	US$	US$	US$	US$	US$	US$	US$	US$
Unlisted investments								
Vietnam OTC equities:								
HDB(***)	17,888,579	17,620,558	-	-	13,095,297	12,899,093	-	-
HPI	11,528,254	11,529,271	-	-	5,284,153	5,284,249	-	-
FPR	5,712,667	7,579,594	-	-	9,202,427	12,209,388	-	-
VEAM	3,843,120	5,614,514	3,843,120	4,281,762	15,372,478	22,458,056	15,372,478	17,127,047
BCM	4,776,790	4,777,841	-	-	8,871,183	8,873,134	-	-
Tin Nghia	2,713,674	3,247,611	2,713,674	3,238,769	3,922,088	4,799,969	3,922,088	4,786,900
VGT	-	-	2,073,027	2,415,353	-	-	10,883,392	12,680,602
VJC	-	-	-	-	-	-	21,138,134	21,485,301
Private Equities:								
Besra Gold	3,762,362	-	3,762,362	-	-	-	-	-
VFMVF2	-	-	-	-	1,331,290	354,421	1,331,290	354,872

(***) HDB was listed in the Ho Chi Minh City Stock Exchange on 5 January 2018.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

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

	The Company				Subsidiaries			
	31 December 2017		31 December 2016		31 December 2017		31 December 2016	
	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value	Cost	Carrying value
	US$	US$	US$	US$	US$	US$	US$	US$
Vietnam Corporate bonds:								
NBB – Convertible bonds	-	-	-	-	-	-	3,337,042	3,796,607
Rights:								
IMP - rights	-	-	-	143,603	-	-	-	571,890
Total unlisted investments	50,225,446	50,369,389	12,392,183	10,079,487	57,078,916	66,878,310	55,984,424	60,803,219
Total	281,654,091	547,011,237	235,250,992	329,143,330	585,584,710	1,018,259,850	466,111,092	662,690,197

Investment portfolio by sector was as follows:

	31 December 2017		31 December 2016	
	US$	%	US$	%
Banks	346,625,518	22	147,746,673	15
Real Estate & Construction	286,165,704	18	172,601,458	17
Material & Resources	163,155,464	10	97,889,524	10
Retail	156,071,843	10	66,731,088	7
Foods & Beverages	138,356,978	9	172,873,439	17
Transportation	131,143,100	8	74,707,837	8
Others	95,775,396	6	55,726,174	5
Diversified Financials	84,011,172	5	41,036,759	4
Software & Services	74,065,728	5	58,413,046	6
Energy	69,409,756	4	69,767,310	7
Consumer Durables	34,564,268	2	25,319,328	3
Pharmaceuticals	23,316,292	1	12,946,708	1
	1,602,661,219	100	995,759,344	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 receives 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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

6. BALANCES DUE FROM/DUE TO BROKERS

	31 December 2017	31 December 2016
	US$	US$
Sale transactions awaiting settlement	-	720,731
Purchase transactions awaiting settlement	-	-

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 2017	31 December 2016
	US$	US$
Cash in banks	32,443,551	19,837,882

8. BORROWINGS

	31 December 2017	31 December 2016
	US$	US$
Standard Chartered Bank – Singapore Branch		
- Secured Bank Loan 1	80,000,000	20,000,000
- Secured Bank Loan 2	-	20,000,000
	80,000,000	40,000,000

Movements of short-term borrowings during the year were as follows:

	31 December 2017	31 December 2016
	US$	US$
Opening balance	40,000,000	20,000,000
Additions during the year	40,000,000	20,000,000
Closing balance	80,000,000	40,000,000

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

			31 December 2017	
	Interest rate per annum	Date of Maturity	Nominal value	Carry amount
	(%)		US$	US$
Secured Bank Loan 1	3.5226	8 March 2018	80,000,000	80,000,000

As at 31 December 2017, the bank loans were secured by over the Company's investments with total carrying value of US$294,229,601 (31 December 2016: US$74,643,186).

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

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

9. ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2017	31 December 2016
	US$	US$
Management fees	2,501,610	1,638,148
Administration fees	215,713	109,576
Other payables	244,346	204,070
	2,961,669	1,951,794

10. ISSUED SHARE CAPITAL AND SHARE PREMIUM

	31 December 2017	31 December 2016
	US$	US$
Authorised:		
500,000,000 Ordinary 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:		
220,920,746 Ordinary Shares at par value of US$0.01 each (31 December 2016: 220,920,746 Ordinary Shares at par value of US$0.01 each)	2,209,207	2,209,207
1,000 Management Shares at par value of US$0.01 each	10	10
	2,209,217	2,209,217
Treasury Shares:		
Ordinary Shares	(7,951)	-
Shares in circulation:		
Ordinary Shares	2,201,256	2,209,207
Management Shares	10	10
Outstanding issued share capital in circulation	2,201,266	2,209,217

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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

10. ISSUED SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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 2017 and 31 December 2016.

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 2017, the following shareholder owned more than 10 percent of the Company's issued Ordinary share capital.

	Number of Ordinary Shares held	% of total Ordinary Shares in issue
Registered shareholders:		
Computershare Investor Services PLC	220,902,746	100%

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

	Number of Ordinary Shares held	% of total Ordinary Shares in issue
Registered shareholders:		
Computershare Investor Services PLC (*)	220,902,746	100%
In which:		
Bill & Melinda Gates Foundation Trust	*25,049,173*	*11.34%*

(*) Computershare Investor Services PLC acts as depositary in respect of a facility for the issue of depositary interests representing the Company's Ordinary Shares.

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

	Year ended 31 December 2017		Year ended 31 December 2016	
	Shares	US$	Shares	US$
Balance at the beginning of the year	220,920,746	2,209,207	220,920,746	2,209,207
Repurchase of Ordinary Shares during the year	(795,066)	(7,951)	-	-
Balance at the end of the year	220,125,680	2,201,256	220,920,746	2,209,207

Movements in share premium during the year were as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	US$	US$
Balance at the beginning of the year	563,283,425	563,283,425
Repurchase of Ordinary Shares during the year	(3,187,067)	-
Balance at the end of the year	560,096,358	563,283,425

11. NET ASSET VALUE PER ORDINARY SHARE

The calculation of the NAV per Ordinary Share was based on the net assets attributable to the Ordinary Shareholders of the Company as at 31 December 2017 of US$1,553,277,105 (31 December 2016: US$974,802,771) and the number of outstanding Ordinary Shares in issue as at that date of 220,125,680 shares (31 December 2016: 220,920,746 Ordinary shares).

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

12. FEES

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

Administration fees

Standard Chartered Bank (the "Administrator") is entitled to receive a fee of 0.06% (2016: 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$1,194,259 (2016: US$967,680). As at 31 December 2017, an administration fee of US$215,713 (31 December 2016: US$109,576) was payable to the Administrator.

Custodian fees

Standard Chartered Bank (the "Custodian") is entitled to receive a fee of 0.05% (2016: 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 scripless securities. During the year, total custodian fees amounted to US$754,817 (2016: US$590,575). There were no custodian fees payable as at 31 December 2017 and 2016.

Directors' fees

During the year, total directors' fees amounted to US$150,007 (2016: US$176,712). There were no directors' fees payable as at 31 December 2017 and 2016. Dominic Scriven has permanently waived his rights to receive directors' fees for his services as Director of the Company.

Management fees

Prior to 1 August 2017, the Investment Manager was entitled to receive a management fee equal to 2% per annum of the NAV, accrued daily and payable monthly in arrears. With effect from 1 August 2017, the management fee is calculated and accrued daily on the following basis.

- 2% per annum on the first US$1.25 billion of the NAV;
- 1.75% per annum on the portion of the NAV in excess of US$1.25 billion and less than or equal to US$1.5 billion; and
- 1.5% per annum on the portion of the NAV above US$1.5 billion.

During the year, total management fees amounted to US$24,122,990 (2016: US$17,759,320). As at 31 December 2017, a management fee of US$2,501,610 (31 December 2016: US$1,638,148) remained payable to the Investment Manager.

Legal and professional fees

During the year, included in the legal and professional fees of the Company was audit fees amounted to US$83,000 (2016: US$69,000) paid to the auditor, KPMG Limited. There were no other advisory fees paid to the auditor in 2017 (2016: US$149,450 paid to KPMG UK for the purpose of listing the Company on London Stock Exchange, 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.

In accordance with Circular 103/2014/TT-BTC issued by the Ministry of Finance of Vietnam providing guideline in details of withholding tax on Vietnam-sourced income generated by non-residents (i.e. offshore entities or individuals without a legal presence in Vietnam), the Company is subject to pay 0.1% withholding tax on proceeds of transferring securities, certificates of deposits and 5% withholding tax on the interest received from any Vietnamese entities. Dividends remitted by Vietnamese investee companies to foreign corporate investors are not subject to withholding taxes. Withholding tax consists of Value Added Tax (VAT) and Corporate Income Tax (CIT) components.

See Note 15(b) for further details.

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

14. BASIC EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per Ordinary Share for the year was based on the net profit for the year attributable to the holders of Ordinary Shares of US$581,669,352 (2016: US$182,149,893) and the weighted average number of Ordinary Shares outstanding of 220,237,538 shares (2016: 220,920,746 shares) in issue during the year.

(a) Net profit attributable to the Ordinary Shareholders

	Year ended 31 December 2017	Year ended 31 December 2016
	US$	US$
Net profit attributable to the Ordinary Shareholders	581,669,352	182,149,893

(b) Weighted average number of Ordinary Shares

	Year ended 31 December 2017	Year ended 31 December 2016
	US$	US$
Issued Ordinary Shares at the beginning of the year	220,920,746	220,920,746
Effect of Ordinary Shares repurchased during the year	(683,208)	-
Weighted average number of Ordinary Shares	220,237,538	220,920,746

(c) Basic earnings per Ordinary Share

	Year ended 31 December 2017	Year ended 31 December 2016
	US$	US$
Basic earnings per Ordinary Share	2.64	0.82

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY

A. Financial risk management

The Company and its subsidiaries mainly invested in listed and unlisted investments in Vietnam, and 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 2017 and 31 December 2016, the Company's credit risk arose principally from its other receivables, balances due from brokers, and cash and cash equivalents.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

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 2017	31 December 2016
	US$	US$
Other receivables (i)	1,134,004	436,608
Balances due from brokers (i)	-	720,731
Cash and cash equivalents (ii)	32,443,551	19,837,882
	33,577,555	20,995,221

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 2017 and 2016, 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 other receivables, balance due from brokers, cash and cash equivalents and investments in debt securities, which were as follows at the reporting date:

	31 December 2017	31 December 2016
	US$	US$
Investments in debt securities	-	3,796,607
Other receivables (i)	741,163	4,243,009
Balances due from brokers (i)	5,089,127	-
Cash and cash equivalents (ii)	31,559,842	31,817,639
	37,390,132	39,857,255

(i) Other receivables and balances due from brokers

Other receivables represented dividends 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 2017 and 2016 were past due.

(ii) 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 2017 and 31 December 2016, all the contractual maturities of non-derivative financial liabilities of the Company and its subsidiaries were payable within a year.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

(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. The 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	Effects on net assets	Change in index level	Effects on net assets
	2017	2017	2016	2016
	%	US$m	%	US$m
Market Indices:				
VN Index	50	554.14	15	117.24
VN Index	(50)	(554.14)	(15)	(117.24)

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.

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	1 - 5 years	Non-interest bearing	Total
	US$	US$	US$	US$
31 December 2017				
ASSETS				
Other receivables	-	-	1,134,004	1,134,004
Cash and cash equivalents	32,443,551	-	-	32,443,551
TOTAL ASSETS	32,443,551	-	1,134,004	33,577,555
LIABILITIES				
Borrowings	(80,000,000)	-	-	(80,000,000)
Accounts payable and accruals	-	-	(2,961,669)	(2,961,669)
TOTAL LIABILITIES	(80,000,000)	-	(2,961,669)	(82,961,669)
NET INTEREST SENSITIVITY GAP	47,556,449	-	N/A	N/A

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

	Up to 1 year	1 - 5 years	Non-interest bearing	Total
	US$	US$	US$	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

A change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the Ordinary Shareholders by US$475,564 (31 December 2016: US$201,621). 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.

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	1 - 5 years	Non-interest bearing	Total
	US$	US$	US$	US$
31 December 2017				
ASSETS				
Other receivables	-	-	741,163	741,163
Balances due from brokers	-	-	5,089,127	5,089,127
Cash and cash equivalents	31,559,842	-	-	31,559,842
TOTAL ASSETS	31,559,842	-	5,830,290	37,390,132
LIABILITIES				
Balances due to brokers	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
NET INTEREST SENSITIVITY GAP	31,559,842	-	N/A	N/A

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

	Up to 1 year	1 - 5 years	Non-interest bearing	Total
	US$	US$	US$	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

A change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the Ordinary Shareholders by US$315,598 (31 December 2016: US$356,142). 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$.

	Denominated in VND
	US$
31 December 2017	
ASSETS	
Financial assets at fair value through profit or loss	547,011,237
Other receivables	1,134,004
Cash and cash equivalents	8,714,364
TOTAL ASSETS	556,859,605
LIABILITIES	
Balances due to brokers	-
NET CURRENCY POSITION	556,859,605

VIETNAM ENTERPRISE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

	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

At 31 December 2017, had the US$ strengthened or weakened by 1% (31 December 2016: 1%) 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 2016.

	Denominated in VND
	US$
2017	5,513,461
2016	3,309,849

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 2017 and 2016. Included in the table are the assets and liabilities categorised by their base currency.

	Denominated in VND
	US$
31 December 2017	
ASSETS	
Financial assets at fair value through profit or loss	1,018,259,850
Other receivables	741,163
Balances due from brokers	5,089,127
Cash and cash equivalents	26,559,658
TOTAL ASSETS	1,050,649,798
LIABILITIES	
Balances due to brokers	-
NET CURRENCY POSITION	1,050,649,798

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

	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

At 31 December 2017, had the US$ strengthened or weakened by 1% (31 December 2016: 1%) against 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 2016.

	Denominated in VND
	US$
2017	10,402,473
2016	6,550,652

(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.

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.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

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

The table below analyses the Company's 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	Level 2	Level 3	Total
	US$	US$	US$	US$
As at 31 December 2017				
Financial assets at fair value through profit or loss				
• Listed investments	496,641,848	-	-	496,641,848
• Unlisted investments	-	50,369,389	-	50,369,389
• Investments in subsidiaries	-	-	1,055,649,982	1,055,649,982
	496,641,848	50,369,389	1,055,649,982	1,602,661,219

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	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

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

	Level 1		Level 2		Level 3	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Opening balance	319,063,843	225,583,429	10,079,487	2,334,890	666,616,014	576,814,481
Transfer from level 2 to level 1	2,073,027	-	(2,073,027)	-	-	-
Purchases	74,601,123	119,627,436	40,058,592	6,556,794	-	-
Sales	(68,256,616)	(47,171,924)	-	-	-	-
Net cash outflows from subsidiaries	-	-	-	-	(23,722,850)	(50,962,362)
Unrealised gains recognised in profit or loss	169,160,471	21,024,902	2,304,337	1,187,803	412,756,818	140,763,895
Closing balance	496,641,848	319,063,843	50,369,389	10,079,487	1,055,649,982	666,616,014
Total unrealised gains for the year included in net changes in fair value of financial assets at fair value through profit or loss	169,160,471	21,024,902	2,304,337	1,187,803	412,756,818	140,763,895

There were no transfers between the levels of hierarchy of financial assets recognised at fair value within the year ended 31 December 2017.

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

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.

The table below analyses the subsidiaries' 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	Level 2	Level 3	Total
	US$	US$	US$	US$
As at 31 December 2017				
Financial assets at fair value through profit or loss				
• Listed investments	899,063,899	52,317,641	-	951,381,540
• Unlisted investments	-	66,878,310	-	66,878,310
	899,063,899	119,195,951	-	1,018,259,850

	Level 1	Level 2	Level 3	Total
	US$	US$	US$	US$
As at 31 December 2016				
Financial assets at fair value through profit or loss				
• Listed investments	601,886,978	-	-	601,886,978
• Unlisted investments	-	57,006,611	3,796,608	60,803,219
	601,886,978	57,006,611	3,796,608	662,690,197

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

	Level 1		Level 2		Level 3	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Opening balance	601,886,978	517,819,336	57,006,611	29,616,067	3,796,608	20,100,673
Transfer from level 2 to level 1	10,883,392	15,518,899	(10,883,392)	(15,518,899)	-	-
Transfer from level 3 to level 1	3,337,041	15,409,309	-	-	(3,337,041)	(15,409,309)
Purchases	218,581,068	159,807,441	29,368,185	40,432,700	-	-
Sales	(128,475,635)	(148,385,517)	-	-	-	-
Unrealised gains/(losses)	192,851,055	41,717,510	43,704,547	2,476,743	(459,567)	(894,756)
Closing balance	899,063,899	601,886,978	119,195,951	57,006,611	-	3,796,608
Total unrealised gains/(losses) included in net changes in fair value of financial assets at fair value through profit or loss	192,851,055	41,717,510	43,704,547	2,476,743	(459,567)	(894,756)

VIETNAM ENTERPRISE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (CONTINUED)

(e) Classification of financial assets and financial liabilities

The following table shows the classification of financial assets and financial liabilities of the Company:

	Loans and receivables	Designated at fair value	Other amortised cost	Total carrying amount
	US$	US$	US$	US$
As at 31 December 2017				
Assets				
Financial assets at fair value through profit or loss		1,602,661,219	-	1,602,661,219
Other receivables	1,134,004	-	-	1,134,004
Cash and cash equivalents	32,443,551	-	-	32,443,551
	33,577,555	1,602,661,219	-	1,636,238,774
Liabilities				
Borrowings	-	-	80,000,000	80,000,000
Balances due to brokers	-	-	2,961,669	2,961,669
	-	-	82,961,669	82,961,669

	Loans and receivables	Designated at fair value	Other amortised cost	Total carrying amount
	US$	US$	US$	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

(f) Capital management

The Company considers the capital under management as equal to net assets attributable to the Ordinary 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 2017

15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (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

On 5 February 2018, Dominic Scriven O.B.E., the Non-executive Director of the Company purchased 36,423 Ordinary Shares of the Company (equivalent to 0.017% of the outstanding issued Ordinary Shares).

As at 10 April 2018, net asset attributable to Ordinary Shareholders of the Company was US$1,852,981,485.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 17 April 2018.

CORPORATE INFORMATION

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* Enterprise Investment Management Limited has been domiciled in Cayman since 4 December 2017.

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Company Secretary

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