

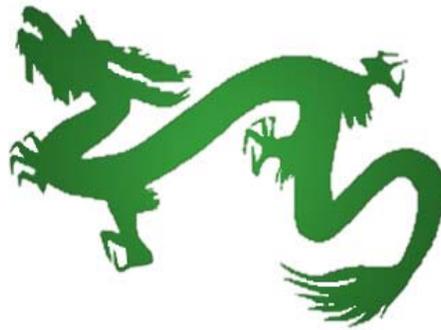


# Vietnam Enterprise Investments Limited

Interim Report 30 June 2006

## Policy and Objectives

Vietnam Enterprise Investments Limited's objective is to achieve a balanced portfolio of investments in Vietnam giving rise to long term capital growth and capable of yielding recurrent earnings and capital gains. The fund is specifically structured to benefit from the Vietnamese stock market with more than 80% of its assets invested in listed companies or companies that are listing candidates.



## Contents

Directors	2
Corporate Information	3
Name Abbreviations	4
Summary of Unaudited Results	5
Chairman's Statement	6
Investment Manager's Report	8
Portfolio Holdings & Analysis	10
Portfolio Changes in 1H2006	12
Significant Changes in Valuation	13
Condensed Consolidated Balance Sheet	14
Condensed Consolidated Income Statement	15
Condensed Consolidated Statement of Changes in Equity	16
Condensed Consolidated Statement of Cash Flows	17
Notes to the Condensed Consolidated Financial Statements	18

## DIRECTORS

### **PETER WILLIAMS C.M.G.**, Chairman and independent non-executive director

Mr. Williams, C.M.G. is a retired British diplomat and was an Ambassador to Vietnam between 1990 and 1997. His previous posts included Ambassador to P.D.R Yemen, Head of the U.K. delegation to the GATT in Geneva, Financial Attaché in New York and Head of the United Nations Department Foreign and Commonwealth Office. Resident in the U.K., he also acts as senior advisor to Dragon Capital, Prudential Corporation and Tate & Lyle on business in Vietnam.

### **DOMINIC SCRIVEN O.B.E.**, Non-executive director

Based in Vietnam, Mr. Scriven is a director and co-founder of the Dragon Capital Group Ltd. He represents VEIL on the boards of a number of its investments, including two private banks and two listed companies. Mr. Scriven speaks Vietnamese and has resided in Vietnam for fourteen years.

### **JOHN SHRIMPTON**, Non-executive director

Based in Vietnam, Mr. Shrimpton is a director and co-founder of the Dragon Capital Group Ltd. He represents VEIL on the boards of a number of its investments, including property and software companies. Mr. Shrimpton has been resident in Asia for nineteen years and in Vietnam for nine.

### **RICHARD McKEGNEY**, Independent non-executive director

Mr. McKegney is the head of the Asia Pacific region for the National Bank of Kuwait, based in Singapore. He is also a director of NIG Asian Investments Ltd., a wholly-owned investment vehicle of the bank which has been an investor in VEIL since its inception.

### **SIN FOONG WONG**, Independent non-executive director

Mr. Wong is the International Finance Corporation ("IFC")'s Country Manager for Vietnam, Laos, Cambodia, and the East Asia and Pacific Department. He joined the IFC in 2001 and has led transactions in the Chemicals sector in India and China, and led the sector's first investments in Russia and Ukraine. Prior to joining IFC, Sin Foong worked for 16 years in the finance function of a major oil company.

### **HARTMUT GIESECKE**, Independent non-executive director (Appointed 25 January 2006)

Mr. Giesecke is Chairman of Capital Group's Japanese investment management subsidiary, Capital International K.K., and Managing Director Asia-Pacific of Capital Group International, Inc, the holding company of Capital's global investment business. He received a Master of Economics from Freiburg University, Germany, and an MBA from Columbia University Graduate Business School.

## CORPORATE INFORMATION

The redeemable shares of VEIL are listed on the Irish Stock Exchange.  
Price updates are available on Bloomberg (VIETENI) and Reuters (VIET).

### The Company

Vietnam Enterprise Investments Limited  
Grand Pavilion Commercial Centre  
Bougainvillea Way, 802 West Bay Road  
Grand Cayman, Cayman Islands  
British West Indies

### Administrator, Registrar and Secretary

Fortis Prime Fund Solutions (Cayman) Limited  
Grand Pavilion Commercial Centre  
802 West Bay Road  
Grand Cayman, Cayman Islands  
British West Indies

### Custodian

Fortis Prime Fund Solutions Bank (Ireland) Limited  
Plaza 2, Custom House Plaza  
International Financial Services Centre  
Dublin 1, Ireland

### Paying Agent in Ireland

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

### Legal Adviser to the Company

(as to Vietnamese law)

Freshfields Bruckhaus Deringer  
17 Ngo Quyen, Unit 1, 5/F  
Hanoi  
Vietnam

### Dealing Enquiries

Dragon Capital Markets Limited  
Tel: + 84 8 823 9355  
Fax: +84 8 823 9366  
Email: alexpasikowski@dragoncapital.com

### Paying Agent

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

### Investment Manager

Dragon Capital Management Limited  
1901 Me Linh Point, 2 Ngo Duc Ke, District 1  
Ho Chi Minh City, Vietnam  
Tel: + 84 8 823 9355  
Fax: +84 8 823 9366

### Sub-Administrator and Assistant Secretary

Fortis Prime Fund Solutions (Asia) Limited  
28/F Fortis Bank Tower  
77-79 Gloucester Road, Hong Kong

### Vietnam Custodian

HSBC  
The Metropolitan, 235 Dong Khoi Street  
District 1, Ho Chi Minh City  
Vietnam

### Listing Sponsor in Ireland

McCann FitzGerald Listing Services Limited  
2 Harbourmaster Place  
International Financial Services Centre  
Dublin 1, Ireland

### Legal Adviser to the Company

as to Cayman Islands law

Charles Adams, Ritchie & Duckworth  
PO Box 709 GT, Zephyr House, Mary Street  
Grand Cayman, Cayman Islands  
British West Indies

### Auditors

Ernst & Young  
18th Floor  
Two International Finance Centre  
8 Finance Street, Central, Hong Kong

### Listing Sponsor

McCann FitzGerald Listing Services Limited  
2 Harbourmaster Place  
International Financial Services Centre  
Dublin 1, Ireland

## NAME ABBREVIATIONS

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

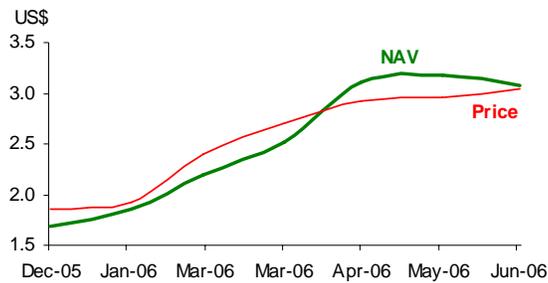
Full name	Short name	Industry
620-Chau Thoi Concrete Corporation	Concrete 620	Construction materials
An Giang Fisheries Import and Export Joint Stock Company	Agifish	Seafood
Asia Commercial Joint Stock Bank	ACB	Banks
Asian Mineral Resources Limited	Asian Mineral	Resources
Beta Vietnam Fund	Betafund	Funds
Binh Thanh Import-Export Production and Trade Company	Gilimex	Commerce
Cables and Telecommunications Material Joint Stock Company	Sacom Cable	Telecoms
Chuong Duong Beverages Joint Stock Company	Chuong Duong	Food/beverages
Danao International Holdings Ltd	Danao	Hotels
Duc Hanh Construction and Transportation Company Limited	Duc Hanh	Transport
General Forwarding and Agency Corporation	Gemadept	Transport
Glass Egg Digital Media Limited	Glass Egg	Software
Global Cybersoft Limited	Global Cybersoft	Software
Halong Canned Food Stock Company	Halong Canning	Food/beverages
Hanoi Lake View Sport Joint Venture Company	Hanoi Lake View	Property
HCMC Infrastructure Investment Joint Stock Company	CII	Infrastructure
Import - Export and Economic Co-operation Company	Savimex	Commerce
Investment Commerce Fisheries Corporation	Incomfish	Agro-industries
Keeper Resources Inc.	Keeper Resources	Resources
Olympus Pacific Mineral Incorporation	Olympus Pacific	Resources
Pacific Ocean Shipping Joint Venture Company	Pacific Ocean	Transport
Pha Lai Thermo Power Joint Stock Company	Pha lai	Power
Phuong Nam Commercial Joint Stock Bank	Phuong Nam Bank	Banks
Project Design and Development Joint Venture Company Limited	PDD	Property
Qudos Asia Limited	Qudos	Property
Refrigeration Electrical Engineering Corporation	REE	Commerce
Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank	Banks
SilkRoad Systems Limited	SilkRoad	Software
Thac Ba Hydro Power Joint Stock Company	Thac Ba	Power
The International Finance Corporation	IFC	
Tiberon Minerals Limited	Tiberon	Resources
Togi Real Estate Joint Stock Company	Togi	Property
Transforwarding Warehousing Corporation	Transimex	Transport
Tuong An Oil Joint Stock Company	Tuong An	Food/beverages
Vedan International (Holdings) Limited	Vedan	Food/beverages
Viet Trung Cement Corporation	Viet Trung	Construction materials
Vietnam Commercial Joint Stock Bank for Private Enterprises	VP Bank	Banks
Vietnam Dairy Products Joint Stock Company	Vinamilk	Food/beverages
Vietnam Government Bond 9.18% 30/06/2018	G-Bond 9.18% 30/06/2018	Bonds
Vietnam Government Bond 9.7% 26/09/2018	G-Bond 9.7% 26/09/2018	Bonds
Vietnam Growth Fund Limited	VGf	Funds
Vietnam Industrial Investments Limited	VII	Construction materials
Vietnam Investment Fund Singapore Limited	VIFS	Funds
Vietnam Par Bond 3.75% 12/03/2028	Par Bond 3.75% 12/03/2028	Bonds
Vietnam Securities Investment Fund	VF1	Funds
Vinh Son-Song Hinh Hydropower Joint Stock Company	Vinh Son-Song Hinh	Power
Water and Environment Corporation	WACO	Infrastructure

## SUMMARY OF UNAUDITED RESULTS

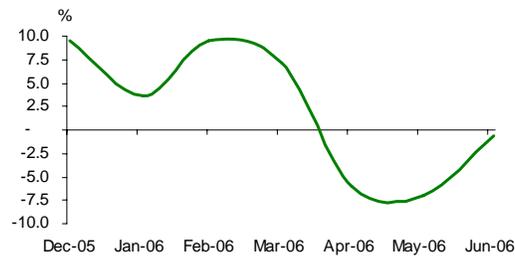
	30 June 2006		31 December 2005	% Change
Net asset Value	US\$335.2m		US\$184.6m	+81.7%
Net asset Value per ordinary share	US\$3.07		US\$1.69	+81.7%
Share price	US\$3.05		US\$1.85	+64.9%
(Discount)/Premium	(0.6%)		9.5%	N/A
	Six months to 30 June 2006 US\$		Year to 31 December 2005 \$US	
<b>Period's highs and lows</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Net asset Value	3.17	1.86	1.69	1.24
Share Price	3.05	1.93	1.85	1.33

## Six Months Performance

VEIL Share Price and NAV



VEIL Premium/Discount of Share Price to NAV



## CHAIRMAN'S STATEMENT

*"It seems that our key theme of 2006 being Vietnam's transformational year seems to be panning out in line with expectations."*

From the country once known as the quiet performer, Vietnam has become an established headliner with its exciting macro growth dynamics evermore palpable with every quarter; far from unwarranted for a country with GDP growth in excess of 7% per annum, and the second-fastest-growing economy in Asia, behind only China. And as the latter's economy battles wage inflation and fierce price competition, Chinese-based producers are being forced to diversify into more profitable lines. This is clearing the way for an increasingly competitive Vietnam to recoup an open world market share in lower-end products such as garments and shoes. Identified as being one of the most attractive production bases in Asia, not least as a net exporter of both carbon and agricultural products, Vietnam claims indisputable

competitive attributes of increasing market liberalisation, market isolation, increasing domestic liquidity and attractive valuations.

VEIL continues to be acknowledged by analysts and industry commentators as the best positioned fund in Vietnam to take advantage of upcoming investment opportunities by its nature of being fully invested and significant exposure to the OTC market and banking sector. Historically the fund has demonstrated superior risk adjusted returns generating an annualised return in excess of 26% versus the Vietnam Index's 30% since its initial launch, but with only half the volatility. And after an unprecedented interim period of market movement, I am delighted to report that VEIL has delivered record monthly performances.

Whilst the market moves that have produced this performance have essentially been domestically driven, there has been an

underlying and unprecedented level of foreign portfolio interest, which has certainly served to heighten domestic investor interest. The Vietnam market has never been more attractive, given an increasing number of companies going public, strong economic growth and low foreign investor participation resulting in low correlation to global emerging market flows. This was apparent with the arrival of over 400 international portfolio investors for the Euromoney Vietnam Investment Forum in February.

Whilst VEIL has witnessed first half NAV record performances of 81.66%, the Investment Manager is acutely aware of their susceptibility to reversal. Fortunately the domestic market was quick to recover from an approximate 18% retrace from its record highs and the effective absence of foreign portfolio investors has efficiently served to insulate the market from recent emerging markets' volatility (consider by way of example the MSCI Emerging Market Index losing 6.7% last October whilst the Vietnam Index gained 6.25%). The market and VEIL all produced declines around the 4% level in June, meaning that VEIL has substantially out-performed the market decline since its late April peak, also due to the funds significant exposure to OTC holdings.

Backed by significant levels of announced privatisation, expansion by existing portfolio companies and a raft of new private sector opportunities, VEIL's investment pipeline looks very promising indeed. At the heart of it all is a clear sense that 2006 is nothing

less than a transformation year for Vietnam, and this extends from the prospective change in the country's political leadership, through its capital markets development and even to the activities of VEIL. Following the Tenth Party Congress during March, Vietnam has selected a more progressive and dynamic government, with pro-reformers gaining more key positions of power than before. The last of the WTO negotiations have been concluded and the country is about to pass its first securities law. June was marked with Vietnam's fiftieth listed stock which also happened to be its largest and, of equal note, its first bank. Sacombank's listing also marked the first time that the equity market capitalisation of the formal listed market is now larger than that of the OTC.

With competition for opportunities appearing to wane, there has been markedly little to actually materialise from the clamour of new fund announcements earlier this year with one fund's US\$75m issue formally reneged. It is therefore with a certain pride that I can confirm as at the end of June, we succeeded in closing the VEIL conversion share issue, over-subscribed, with US\$120m, and further capital reserved for a major European institution. I wish to pass on my thanks to the Investment Manager, but most importantly to you. During what is clearly a difficult period for markets, we are particularly grateful to both our old and new shareholders for providing this marvellous vote of confidence. Rather fittingly, this marked the largest ever launch of an equity-dedicated, Vietnam fund issue.

**Peter Williams C.M.G.**  
**Chairman,**  
**Vietnam Enterprise Investments Limited**  
**03 October 2006**

## INVESTMENT MANAGER'S REPORT

### The Economy

The Vietnamese economy is in strong shape and we maintain our bright outlook for 2006, not least due to the formation of a new younger government of more market-friendly and technocratic leaders. With 1H06 GDP growth of 7.4% largely driven by robust export growth (+25.7%), industrial production (+16.1%) and strong domestic consumption (retail sales +19.7%), we now expect further improvements in trade activities, industrial production, disbursement of investment capital and continued strong flows of foreign capital to yield 8.2% GDP growth for 2006 and 8.4% for 2007. Forecasts that Vietnam will post a trade surplus by the end of the year look increasingly realistic.

Increased global focus on Vietnam via APEC and impending WTO entry has helped keep FDI strong, delivering more trade and business opportunities as well as creating great incentives for the government to continue its reform of both the legal framework and the economy. By June, Vietnam had attracted US\$2.9b of FDI, (+5.6% yoy) backed by notable projects such as Intel (US\$605m), West Lake (US\$314m) and Winvest (US\$300m). Hong Kong has become Vietnam's top investor, accounting for 27.8% of total fresh FDI, followed by South Korea (21%), the US (20.1%) and Japan (14.3%). To offer some perspective, since 1998, Vietnam has licensed 7,550 FDI projects worth US\$68.9b, of which 6,390 projects are still valid, worth US\$53.9b.

On a global theme, inflation remains a big concern to Vietnam, with June results indicating that the CPI is portentously close to 8.0%, (+4% ytd, +7.6% yoy). Vietnam's inflation is part imported, part driven by statistical distortions, and seemingly uncorrelated to any imbalances in the Government's fiscal or monetary policies. Nonetheless, reported numbers are assiduously high. Investors have probably learned to live with this particular macro

glitch, but with no signs of obvious relief over the next six months, we maintain an inflation forecast of 7.1%.

### The Stock Market

The Index continued its correction, closing the interim period at 515.59. Whilst 18% off April's high, the losses are mere rounding errors compared to the meltdown in Emerging Markets at large. Vietnam in this respect continues to benefit from the absence of global hot money, but similarly, market size remains small. But that is subject to change. Sacombank has now listed - its \$915m market cap. immediately expanding the formal boards by approximately 40%, to \$3.3bn. SMEs are continuing to list in the wings but the real centre stage remains the listing of the banking sector. Asia Commercial Bank, currently at \$1bn on the OTC, is expected to list in early 2007. SOE privatisations were in limbo pending the appointment of the new Government, but with officials now in place, more power privatisations have been scheduled for 2006-07, delivering a welcome fresh injection of \$1.5bn in assets into the system.

### The Fund

VEIL started the year at a pace, turning in its best ever monthly performance in February and continuing the theme for a further three blistering months on the back of the ballistic markets. Whilst VEIL performed more or less in line with the market, the fund succeeded in delivering a superior return at the period close with returns primarily driven by the strong performance of the fund's two largest banking investments in view of Sacombank's listing in July and ACB's stated listing target of early 2007. VEIL has traditionally benefited from its core holdings of OTC and bank holdings and they continue to provide a gratifying edge into 2006 and beyond.

Fund-raising took place in June, with a conversion share issue over-subscribed at \$120m in a first close, with the greenshoe

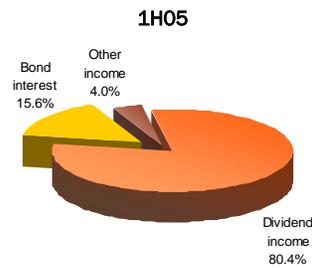
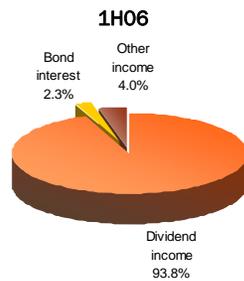
being specifically targeted at a major European institutional investor.

### Operating Results

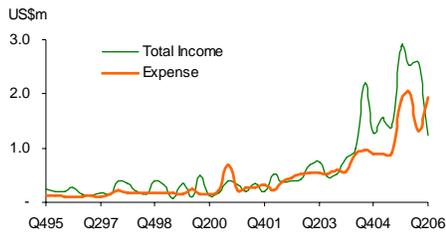
By the end of the second quarter, operating income was recorded at US\$3.8m (equivalent to 1.1% of net assets) and was mainly comprised of dividend income (93.0%). Despite the fund's strong performance, and the optimistic outlook for the Vietnamese market, recent market

developments have resulted in the fund being priced at a discount to its NAV. Approximately 8.3% of the shares were traded in the period. Excluding performance fees of US\$32.9m, operating expenses remained broadly in line with 1H06 at US\$3.4m, following further capital raising during the period.

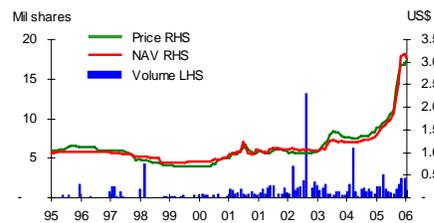
Sources of operating income	1H06 (US\$)	1H05 (US\$)	% change
Bond interest	85,328	459,072	(81.4)
Dividend income	3,555,510	2,366,817	+50.2
Other income	151,045	116,471	+29.7



### VEIL Income and Operating Expenses



### VEIL Turnover

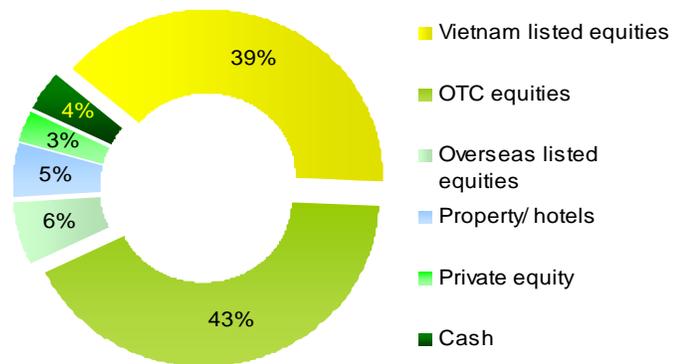


## PORTFOLIO HOLDINGS & ANALYSIS

### Ten largest holdings

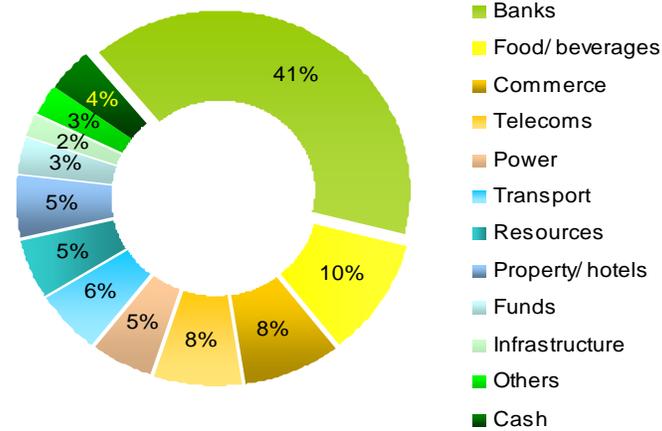
Name	Business	Fair Value	Cost	Return	% of total
		US\$'000	US\$'000	%	net assets
ACB	Banks	65,243	4,574	1,326.5	19.46
Sacombank	Banks	56,140	8,095	530.4	16.75
Vinamilk	Food/beverages	28,631	7,527	280.4	8.54
REE	Commerce	28,199	6,498	334.0	8.41
Sacom Cable	Telecoms	27,973	8,973	211.7	8.34
VP Bank	Banks	19,499	2,578	656.4	5.82
Gemadept	Transport	17,401	5,265	230.5	5.19
VF1	Funds	10,739	3,654	193.9	3.2
Danao	Property	9,324	8,267	12.8	2.78
Olympus Pacific	Resources	9,219	5,719	61.2	2.75
		<b>272,368</b>	<b>61,150</b>	<b>345.4</b>	<b>81.24</b>

### Asset class profile at 30 June 2006

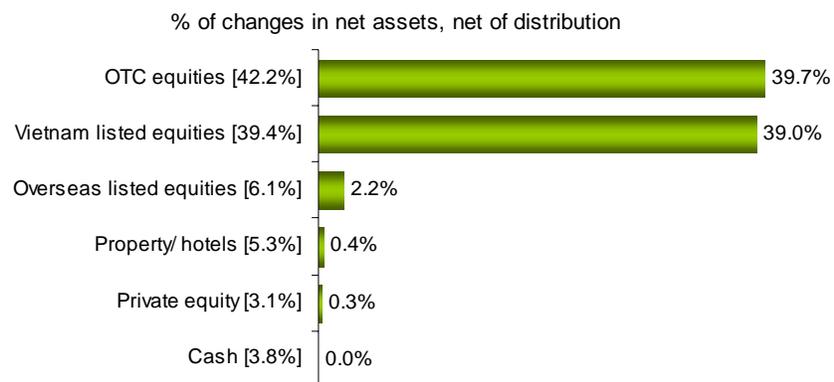


## PORTFOLIO HOLDINGS & ANALYSIS

### Distribution of total assets at 30 June 2006



### Performance Attribution at 30 June 2006



## PORTFOLIO CHANGES IN 1H2006

### New investments

No new investment was been made during 1H06.

### Additions to existing investments

	Investment	No./ Nominal	Business	Security	Invested	Cost (US\$)	% held at 30 June 2006 (note 1)	% of total net assets 2006 (note 1)
<b>Listed</b>								
1	Sacom Cable	823,994	Telecoms	Shares	Feb	517,455	17.6	8.34
2	Gemadep	1,535,595	Transport	Shares	Mar	-	11.1	5.19
3	Savimex	158,550	Commerce	Shares	Jun	446,117	17.6	0.65
4	Agifish	39,919	Commerce	Shares	Jan	-	19.1	1.13
<b>Sub-total (Listed)</b>						<b>963,572</b>		
<b>Unlisted</b>								
5	ACB	9,346	Banks	Shares	Feb	586,986	6.2	19.46
6	Sacombank	3,862,146	Banks	Shares	Feb	2,478,107	6.1	16.75
7	VP Bank	1,670,695	Banks	Shares	Apr	1,048,971	8.9	5.82
8	Qudos	-	Property	Shares	May	800,000	45.0	0.74
9	Glass Egg	-	Software	Loan	Apr	340,000	20.3	0.61
10	WACO	38,098	Infrastructure	Shares	Jun	238,326	28.0	0.34
<b>Sub-total (Unlisted)</b>						<b>5,492,390</b>		
<b>Total invested in 1H06</b>						<b>6,455,962</b>		

Note 1: '% held' and '%NAV' at 30 June 2006 inclusive of positions held before 1H2006

## PORTFOLIO CHANGES IN 1H2006

### Disposals

	Investment	No./ Nominal	Business	Security	Divested	Fair Value (US\$)
<b>Listed</b>						
1	Gilimex	698,130	Commerce	Shares	May	1,321,380
2	Transimex	423,150	Transport	Shares	May	649,813
<b>Sub-total (Listed)</b>						<b>1,971,193</b>
<b>Unlisted</b>						
3	Chuong Duong	76,026	Food/ beverages	Shares	Mar	720,303
4	G-Bond 9.7% 26/09/2018	310,000	Bonds	Bonds	Mar	1,996,137
5	G-Bond 9.18% 30/06/2018	600,000	Bonds	Bonds	Mar	3,666,146
6	Tuong An	153,915	Food/ beverages	Shares	May	1,707,399
7	Par Bond 3.75% 12/03/2028	2,000,000	Bonds	Bonds	May	944,352
8	Asian Mineral	500,000	Resources	Warrants	May	-
9	Togi	1,230	Property	Shares	Jun	1,486,138
10	Viet Trung	241	Construction Materials	Shares	Jun	1,246,359
11	Viet Trung	-	Construction Materials	Loans	Jun	473,964
<b>Sub-total (Unlisted)</b>						<b>12,240,798</b>
<b>Total invested in 1H06</b>						<b>14,211,911</b>

### Significant Changes in Valuation

VEIL succeeded in delivering a superior return at the period close with returns primarily driven by the strong performance of its two largest banking investments in view of Sacombank's listing in July and ACB's stated listing target of early 2007. VEIL has traditionally benefited from its core holdings of OTC and bank holdings and they continue to provide a gratifying edge into 2006 and beyond.

## VIETNAM ENTERPRISE INVESTMENTS LIMITED CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2006 (unaudited)

	Notes	30-Jun 2006 US\$	31-Dec 2005 US\$	% Change
<b>CURRENT ASSETS</b>				
Financial Assets at Fair Value through profit or loss	3	356,518,491	185,006,626	92.71%
Cash and cash equivalents		708,154	7,145,019	
Prepayments and other receivables		<u>13,068,674</u>	<u>1,904,698</u>	
		<u>370,295,319</u>	<u>194,056,343</u>	
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities		33,084,860	5,447,005	
Interest-bearing loan	4	<u>2,000,000</u>	<u>4,000,000</u>	
		<u>35,084,860</u>	<u>9,447,005</u>	
<b>NET ASSETS</b>		<u><u>335,210,459</u></u>	<u><u>184,609,338</u></u>	81.58%
<b>EQUITY:</b>				
Issued capital		1,090,910	1,090,910	
Share premium		118,166,636	118,166,636	
Retained earnings		<u>215,952,913</u>	<u>65,351,792</u>	
<b>SHAREHOLDERS' FUNDS</b>		<u><u>335,210,459</u></u>	<u><u>184,609,338</u></u>	
<b>NUMBER OF REDEEMABLE SHARES IN ISSUE</b>	6	109,090,000	109,090,000	
<b>NET ASSET VALUE PER REDEEMABLE SHARE</b>	6	3.07	1.69	81.66%

**DOMINIC SCRIVEN**  
Director



**JOHN SHRIMPTON**  
Director



**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**CONDENSED CONSOLIDATED INCOME STATEMENT**

Six months ending 30 June 2006 (unaudited)

	Note	For the six months ended 30 June 2006	For the six months ended 30 June 2005	% Change
		US\$	US\$	
<b>INCOME</b>				
Non-bank income:				
Bond interest income		85,328	459,072	
Dividend income		3,555,510	2,366,817	
Other interest income from investments		12,292	14,980	
Sundry income		<u>8,569</u>	<u>-</u>	
		3,661,699	2,840,869	+30.06%
Bank interest income		<u>130,184</u>	<u>101,491</u>	+28.27%
<b>TOTAL INCOME</b>		<b><u>3,791,883</u></b>	<b><u>2,942,360</u></b>	<b>+30.00%</b>
<b>EXPENSES</b>				
Administration fee		(176,311)	(76,419)	
Audit fee		(29,500)	(23,353)	
Custodian fee		(63,257)	(31,279)	
Directors' fees		(35,418)	(46,250)	
Income participation fee		(124,294)	(325,148)	
Interest expense on a loan	4	(70,165)	(171,111)	
Legal and professional fees		(65,181)	(64,319)	
Management fee		(2,676,653)	(1,328,237)	
Performance fee		(32,831,657)	-	
Other operating expenses		<u>(330,109)</u>	<u>(72,119)</u>	
<b>TOTAL EXPENSES</b>		<b>(36,402,545)</b>	<b>(2,138,235)</b>	<b>-1584.28%</b>
<b>NET PROFIT/(LOSS) BEFORE INVESTMENT AND EXCHANGE DIFFERENCES</b>		<b>(32,610,662)</b>	<b>804,125</b>	
<b>INVESTMENT AND EXCHANGE LOSSES</b>				
Exchange gains, net		(29,785)	(20,227)	
Realised gains on investments		2,984,894	2,487,557	
Change in unrealised gains/losses on listed investments		87,495,129	(1,415,447)	
Change in unrealized gains on unlisted investment		<u>92,761,545</u>	<u>8,360,442</u>	
		<u>183,211,783</u>	<u>9,412,325</u>	
<b>PROFIT FOR THE PERIOD</b>		<b>150,601,121</b>	<b>10,216,450</b>	
<b>BASIC EARNINGS PER REDEEMABLE SHARE</b>	6	<b><u>1.38</u></b>	<b><u>0.10</u></b>	

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Six months ending 30 June 2006 (unaudited)

	<i>Issued Capital US\$</i>	<i>Share Premium US\$</i>	<i>Retained earnings US\$</i>	<i>Total US\$</i>
At 1 January 2006	1,090,910	118,166,636	65,351,792	184,609,338
Profit for the period	-	-	150,601,121	150,601,121
At 30 June 2006	<u>1,090,910</u>	<u>118,166,636</u>	<u>215,952,913</u>	<u>335,210,459</u>

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

Six months ending 30 June 2006 (unaudited)

	<i>For the six month period</i>	
	2006	2005
	<i>Unaudited</i>	
	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	150,601,121	10,216,450
Adjustments for:		
Bond interest income	( 85,328)	(459,072)
Dividend income	(3,555,510)	(2,366,817)
Other interest income from investments	(12,292)	(14,980)
Bank interest received	(130,184)	(101,491)
Interest expense on a loan	<u>70,165</u>	<u>171,111</u>
Operating gain before changes in operating assets and liabilities	<u>146,887,972</u>	<u>7,445,201</u>
Increase in operating assets:		
Prepayments and other receivables	(10,891,528)	92
Financial assets at fair value trading through profit and loss	(171,511,865)	(14,875,025)
Increase in operating liabilities:		
Accounts payable and accrued liabilities	<u>27,667,855</u>	<u>(52,862)</u>
Cash used in operations	(7,847,566)	(7,482,594)
Bond interest received	85,328	233,178
Dividend received	3,284,101	1,807,261
Other interest received from investments	12,292	50,189
Bank interest received	129,145	99,768
Interest paid on a loan	<u>(100,165)</u>	<u>(201,111)</u>
Net cash flows used in operating activities	<u>(4,436,865)</u>	<u>(5,493,309)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of interest-bearing loan	<u>(2,000,000)</u>	<u>(2,000,000)</u>
Net cash flows used in investing activities	(2,000,000)	(2,000,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,436,865)	(7,493,309)
Cash and cash equivalents at beginning of period	<u>7,145,019</u>	<u>10,162,161</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>708,154</u></b>	<b><u>2,668,852</u></b>

## VIETNAM ENTERPRISE INVESTMENTS LIMITED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2006

### 1. THE COMPANY

The Company is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands on 20 April 1995. It commenced operations on 11 August 1995, the date on which the initial subscription proceeds were received, and had no employees as at 30 June 2006. 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 redeemable shares of the Company are listed on the Irish Stock Exchange. The Company is established for an unlimited duration. At an extraordinary shareholders' meeting held on 5 May 2006, a special resolution was passed whereby at the annual general meeting of the Company to be held in the year 2010, a special resolution to wind up the Company effective 31st December 2012 shall be put before the meeting. If that special resolution is not passed the Company will put before the annual general meeting in each successive even numbered year a special resolution to wind up the Company effective 31st December in the second year following the date of such annual general meeting.

The Company operates in one country, Vietnam. Accordingly, the reporting of financial information by geographical segment is not presented in these consolidated financial statements.

The Interim Condensed Consolidated Financial Statements of the Company for the six months ended 30 June 2006 were authorised for issue in accordance with a resolution of directors on 03 October 2006.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2005. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2005.

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2006

3. INVESTMENTS

	30-Jun 2006 US\$	31-Dec 2005 US\$	% change
Investments comprise the following:			
<b>Listed investments</b>			
Cost	66,330,592	61,376,830	
Unrealised gains/(losses)	<u>102,269,097</u>	<u>14,773,968</u>	
	<u>168,599,689</u>	<u>76,150,798</u>	121.40%
<b>Unlisted investments</b>			
Cost	45,693,453	59,392,024	
Unrealised gains/(losses)	<u>142,225,349</u>	<u>49,463,804</u>	
	<u>187,918,802</u>	<u>108,855,828</u>	72.63%
<b>Total investments</b>	<u>356,518,491</u>	<u>185,006,626</u>	92.71%

The valuations of investments are based on information known to the directors and market conditions existing at the balance sheet date.

Listed investments

As at 30 June 2006, the Company held the following listed investments:

<i>Name of Issuer</i>	<i>Nominal value/ Quantity</i>	<i>Cost US\$</i>	<i>Fair value US\$</i>	<i>% of NAV</i>
<u>Canada listed equities:</u>				
Olympus Pacific	19,708,500	5,718,853	9,218,690	2.75
Tiberon	2,786,600	4,433,354	6,968,378	2.08
Asian Mineral	4,122,500	1,652,932	1,928,307	0.58
Keeper Resources	1,800,000	1,521,601	1,457,227	0.43
<u>Australia listed equities:</u>				
VII	9,359,650	2,325,588	765,273	0.23
<u>Hong Kong listed equity</u>				
Vedan	19,500,000	4,193,856	2,209,350	0.66

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2006

3. INVESTMENTS (continued)

Listed investments (continued)

<u>Name of Issuer</u>	<u>Nominal value/</u>	<u>Cost</u>	<u>Fair value</u>	<u>% of NAV</u>
	<u>Quantity</u>			
		<u>US\$</u>	<u>US\$</u>	
<u>Vietnam listed equities:</u>				
Vinamilk	5,653,680	7,526,940	28,630,703	8.54
REE	5,500,446	6,498,002	28,198,599	8.41
Sacom Cable	4,943,964	8,973,326	27,973,038	8.34
Gemadept	3,838,988	5,265,418	17,400,853	5.19
VF1	5,595,000	3,654,439	10,738,763	3.20
Vinh Son-Song Hinh	3,413,772	2,268,000	7,491,304	2.23
Pha Lai Power	4,000,000	2,564,103	6,802,126	2.03
CII	3,000,000	2,476,977	6,433,261	1.92
Concrete 620	1,514,180	2,835,030	4,922,624	1.47
Agifish	838,309	1,520,905	3,773,570	1.13
Savimex	792,750	1,510,515	2,170,831	0.65
Halong Canning	822,410	1,390,753	1,516,792	0.45
<b>Total</b>		<u>66,330,592</u>	<u>168,599,689</u>	<u>50.29</u>

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2006

3. INVESTMENTS (continued)

Unlisted investments

As at 30 June 2006, the Company held effective interests in investments in the following unlisted companies:

<b><i>Name of Issuer</i></b>	<b><i>Type</i></b>	<b><i>Quantity</i></b>	<b><i>Fair value</i></b> US\$	<b><i>% of NAV</i></b>
ACB	Shares	67,764	65,243,241	19.46
Sacombank	Shares	11,586,445	56,139,389	16.75
VP Bank	Shares	4,455,423	19,498,570	5.82
Danao	Shares	23,060	9,324,000	2.78
Phuong Nam Bank	Shares	2,073,780	7,779,106	2.32
Hanoi Lake View	Shares	1	7,400,000	2.21
Thac Ba Power	Shares	2,909,864	5,275,777	1.57
Pacific Ocean	Shares	1	2,660,265	0.79
Qudos	Shares	400,000	2,475,000	0.74
Glass Egg	Shares	10,881	2,374,094	0.71
Vietnam Investment Fund	Shares	55	1,819,070	0.54
Global Cybersoft	Shares	9,475,340	1,579,539	0.47
Incomfish	Loan	-	1,437,950	0.43
	Shares	1,065,882	1,156,241	0.34
WACO	Shares	153,798	1,151,926	0.34
Duc Hanh	Shares	201	781,059	0.23
SilkRoad	Shares	471,000	532,786	0.16
PDD	Shares	5,657	520,181	0.16

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2006

3. INVESTMENTS (continued)

Unlisted investments

<u>Name of Issuer</u>	<u>Type</u>	<u>Quantity</u>	<u>Fair value</u> US\$	<u>% of</u> <u>NAV</u>
Geffen Limited	Shares	1,976,840	329,539	0.10
PDD	Loan	-	279,106	0.08
Keeper Resources	Warrants	600,000	102,006	0.03
Betafund	Shares	69,409	59,227	0.02
Rickmansworth Limited	Shares	1	730	0.00
<b>Total</b>			<u>187,918,802</u>	<u>56.05</u>

4. INTEREST-BEARING LOAN

	<b>30 June</b> <b>2006</b> <b>US\$</b>	<b>31 December</b> <b>2005</b> <b>US\$</b>
Portion classified as current liabilities	<u>2,000,000</u>	<u>4,000,000</u>

On 3 December 2001, a loan agreement to borrow up to US\$12,000,000 from the IFC was entered into by the Company. The loan bears interest at 5% per annum and interest payments commenced on 15 September 2002, resulting in interest expense of US\$70,165 (2005: US\$294,835) for the six months to 30 June 2006. The loan is repayable biannually in six consecutive instalments of US\$2,000,000 each, commencing on 15 March 2004 and ending on 15 September 2006. As such, US\$2,000,000 was repaid in the current period, reducing the outstanding balance amounting to US\$2,000,000.

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2006

#### 5. TRANSACTIONS WITH RELATED PARTIES

The investment manager, Enterprise Investment Management Limited, is responsible for identifying, making and monitoring investments on behalf of the Company. Dominic Scriven and John Shrimpton, directors of the Company, are also directors of the investment manager.

Dominic Scriven and John Shrimpton are also shareholders and directors of Dragon Capital Group Limited ("Dragon Capital"), the holder of the management shares of the Company and the ultimate parent company of the investment manager.

During the period, the Company sold to Vietnam Growth Fund Limited ("VGF") an 8.1% interest in Tuong An at the prevailing market price. The Company also sold to Vietnam Dragon Fund Limited ("VDF") 8.9% interest in Chuong Duong, 9.9% interest in Transimex and 15.3% interest in Gilimex at the prevailing market price.

Dominic Scriven and John Shrimpton are also directors of VGF and VDF and have indirect interests in the share capital of VGF and VDF as they are also shareholders of Dragon Capital, which has indirectly, holds the management shares of VGF and VDF.

The Company has also invested in VF1, a listed investment which is managed by Vietfund Management Company in which Dragon Capital has a 49% stake.

#### 6. NET ASSET VALUE PER REDEEMABLE SHARE

The calculation of the net asset value per redeemable share is based on the net assets attributable to the ordinary shares as at 30 June 2006 of US\$335,210,459 (31 December 2005: US\$184,609,338) and 109,090,000 (31 December 2005: 109,090,000) ordinary shares in issue as at that date.

#### 7. BASIC EARNING PER REDEEMABLE SHARE

The calculation of basic earning per redeemable share for the period is based on the net profit for the period attributable to the redeemable shares of US\$150,601,121 and the weighted average of 109,090,000 redeemable shares in issue during the period.

#### 8. POST BALANCE SHEET EVENTS

On 12 July 2006, Sacombank was listed on the Ho Chi Minh City Stock Exchange. Sacombank is the first local bank to list and became the largest listed company by market capitalisation (\$915m) in Vietnam. The Company has committed to purchase up to 9% of the bank as a strategic shareholder, in the bank's next capital increase, which will take total capital to US\$138m at par (VND2,200b). This is expected to take place before the year end.

**VIETNAM ENTERPRISE INVESTMENTS LIMITED**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

30 June 2006

8. POST BALANCE SHEET EVENTS (continued)

On 29 June 2006, the Company successfully closed on a round of capital raising, for a total of US\$120m. 120m VEIL C shares were issued.