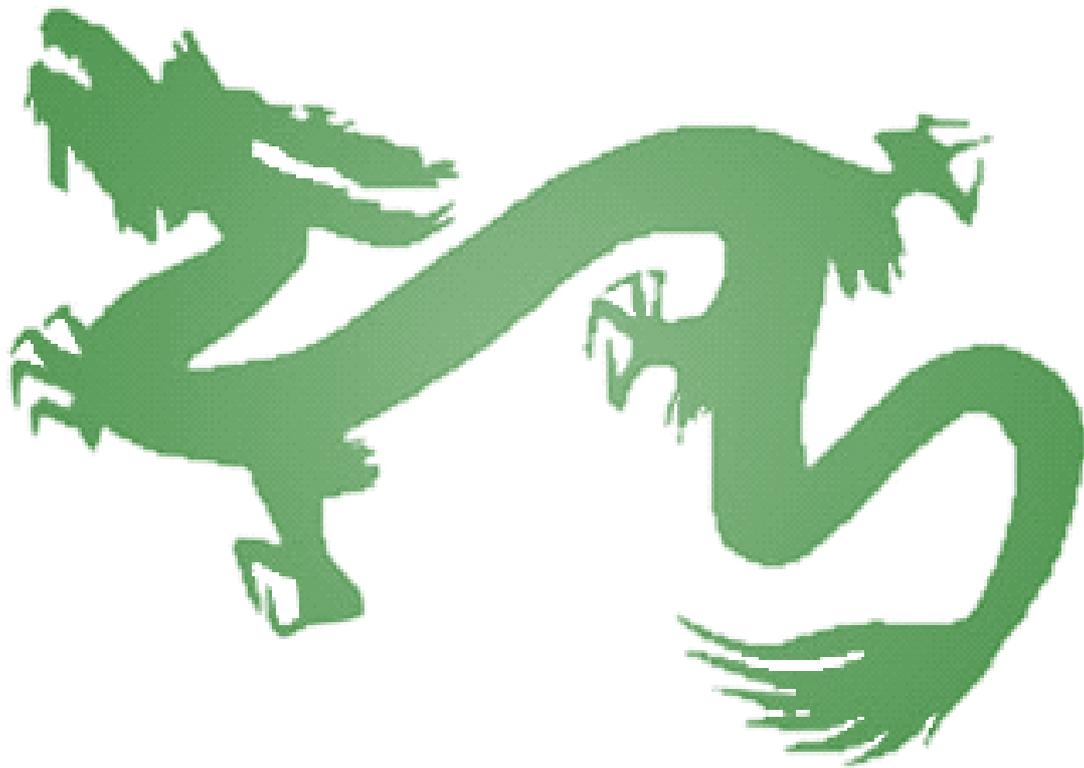


INTERIM REPORT

(Unaudited)  
JUNE 2007

## 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.



.....  
**CarbonNeutral<sup>®</sup>** company

We are conscious of the effects we have on our environment and the positive difference we can make to our communities. It is of paramount importance to the company that we are not only conscious of this, but take action to do all we can to make a positive contribution. To help combat global warming, the unavoidable CO<sub>2</sub>, Dragon Capital has been Carbon Neutral since 2005, supporting a solar power programme to develop renewable energy within India & Sri Lanka. We look forward to supporting future renewable energy projects within Vietnam as they arise.

# VIETNAM ENTERPRISE INVESTMENTS LIMITED

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## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### BOARD OF DIRECTORS

**RICHARD McKEGNEY**, *Acting Chairman (since 23 August 2007) and Independent non-executive director*

Mr. McKegey 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.

**HARTMUT GIESECKE**, *Independent non-executive director*

Mr. Giesecke is Chairman of Capital Group's Japanese investment management subsidiary, Capital International K.K., and former 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.

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

Mr. Wong is the International Finance Corporation ("IFC")'s Country Manager, Vietnam, Laos and Cambodia, 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, Mr. Wong worked for 16 years in the finance function of a major oil company.

**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 a private bank and four listed companies. Mr. Scriven speaks Vietnamese and has resided in Vietnam for fifteen 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 twenty years and in Vietnam for ten.



# VIETNAM ENTERPRISE INVESTMENTS LIMITED

## ADMINISTRATION

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  
802 West Bay Road  
Grand Pavilion Commercial Centre, PO Box 2003  
Grand Cayman, KY1-1104  
Cayman Islands

### **Custodian**

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

Enterprise Investment Management Limited  
c/o 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

### **Sub Custodian**

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

### **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  
18<sup>th</sup> Floor,  
Two International Finance Centre  
8 Finance Street, Central  
Hong Kong

### **Listing Sponsor**

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

# VIETNAM ENTERPRISE INVESTMENTS LIMITED

## 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	Materials
Agri-industrial and Development Rural Bank - Bond	Agribank Bond	Banks
An Giang Fisheries Import and Export Joint Stock Company	Agifish	Food & Beverage
Asia Commercial Joint Stock Bank	ACB	Banks
Asian Mineral Resources Limited	Asian Mineral	Materials
Bao Viet Security Joint Stock Company	Bao Viet Security	Diversified Financials
Beta Vietnam Fund	Betafund	Diversified Financials
Bien Hoa Sugar Joint Stock Co	Bien Hoa Sugar	Food & Beverage
Binh Minh Plastic Joint Stock Company	Binh Minh Plastics	Materials
Cables and Telecommunications Material Joint Stock Company	Sacom Cable	Technology Hardware & Equipment
Danao Limited	Danao	Consumer Services
Duc Hanh Construction and Transportation Company Limited	Duc Hanh	Capital Goods
General Forwarding and Agency Corporation	Gemadept	Transportation
Glass Egg Digital Media Limited	Glass Egg	Software & Services
Global Cybersoft Incorporation	Global Cybersoft	Software & Services
Halong Canned Food Stock Company	Halong Canning	Food & Beverage
Hanoi Lake View Sport Joint Venture Company	Hanoi Lake View	Consumer Services
HCMC Infrastructure Investment Joint Stock Company	CII	Transportation
Import - Export and Economic Co-operation Company	Savimex	Consumer Durables & Apparel
Investment Commerce Fisheries Corporation	Incomfish	Food & Beverage
Keeper Resources Limited	Keeper Resources	Materials
Olympus Pacific Minerals Incorporation	Olympus Pacific	Materials
Pacific Ocean Shipping Joint Venture Company	Pacific Ocean	Energy
Pha Lai Thermo Power Plant	Pha Lai Power	Utilities
Phuong Nam Commercial Joint Stock Bank	Phuong Nam Bank	Banks
Project Design and Development Joint Venture Company Limited	PDD	Real Estate
Qudos Asia Limited	Qudos	Real Estate
Refrigeration Electrical Engineering Corporation	REE	Real Estate
Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank	Banks
Tay Ninh Rubber Joint Stock Company	Tay Ninh Rubber	Materials
Thac Ba Hydro Power	Thac Ba Power	Utilities
Thang Long Cable Joint Stock Company	Thang Long	Technology Hardware & Equipment
Thu Duc House Development Joint Stock Company	Thu Duc House	Real Estate
Tiberon Minerals Limited	Tiberon	Materials
Vedan International (Holdings) Limited	Vedan	Food & Beverage
Vietnam Commercial Joint Stock Bank for Private Enterprises	VP Bank	Banks
Vietnam Construction and import - Export Corporation	Vinaconex	Real Estate
Vietnam Dairy Products Joint Stock Company	Vinamilk	Food & Beverage
Vietnam Investment Fund Singapore Limited	VIFS	Diversified Financials
Vietnam Securities Investment Fund - VF1	VF1	Diversified Financials
Vietnam Securities Investment Fund - VF2	VF2	Diversified Financials
Vietnam Tanker Joint Stock Company	Vitaco	Energy
Vinh Son-Song Hinh Hydropower Joint Stock Company	Vinh Son-Song Hinh	Utilities

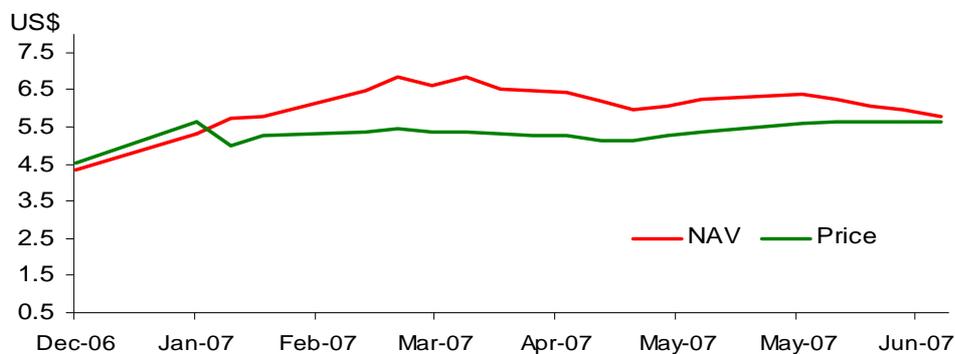
# VIETNAM ENTERPRISE INVESTMENTS LIMITED

## SUMMARY OF UNAUDITED RESULTS

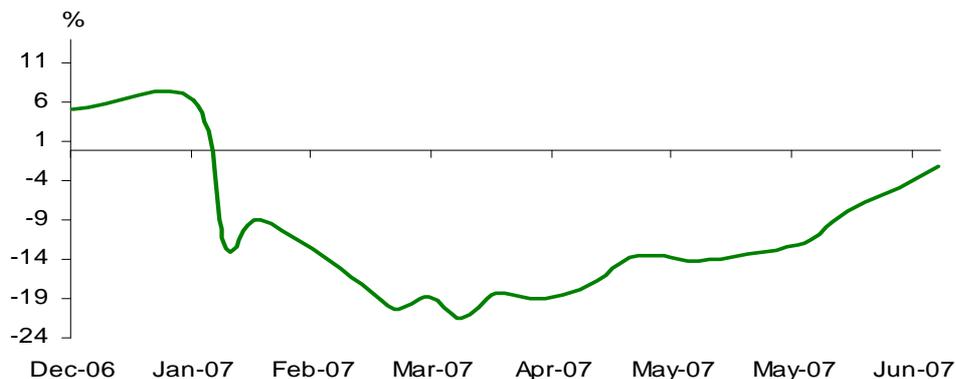
At 31 December	30 June 2007		31 December 2006	% Change
Total Net Assets	\$911,653,625		\$519,609,873	75.49%
Number of Outstanding Shares	158,021,000		119,999,000	31.70%
Share Price (mid-price)	\$5.65		\$4.75	18.95%
Net Asset Value per Share	\$5.77		\$4.33	33.26%
(Discount)/Premium	(2.08%)		8.9%	-
USD/VND exchange rate	16,130		16,043	0.54%
VN Index	1024.68		751.7	36.32%
Year to 31 December	Six months to 30 June 2007 US\$		Year to 31 December 2006 US\$	
<b>Period's high and low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
Share price (mid-price)	\$5.65	\$5.00	\$4.55	\$1.93
Net Asset Value	\$6.84	\$5.32	\$4.33	\$1.86

### Six Months Performance

VEIL Share Price and NAV



VEIL Premium/Discount of Share Price to NAV



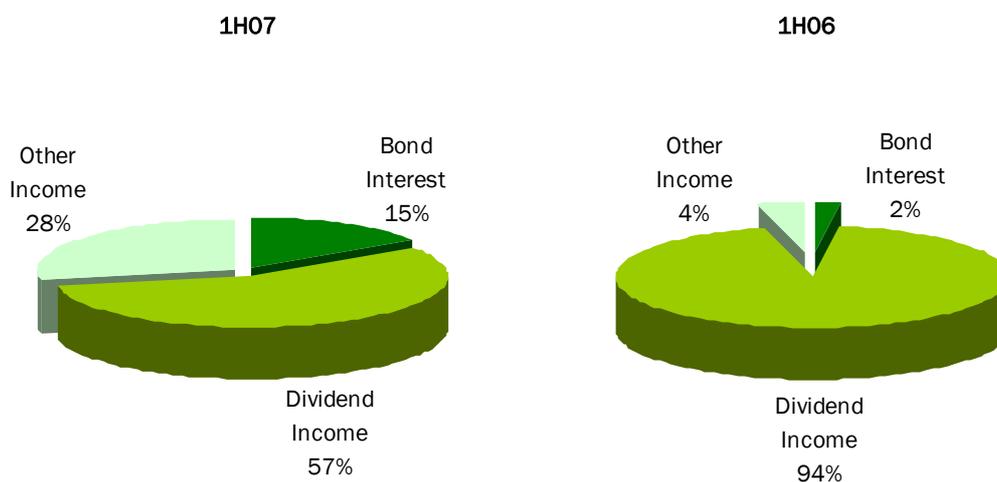
# VIETNAM ENTERPRISE INVESTMENTS LIMITED

## OPERATING RESULTS

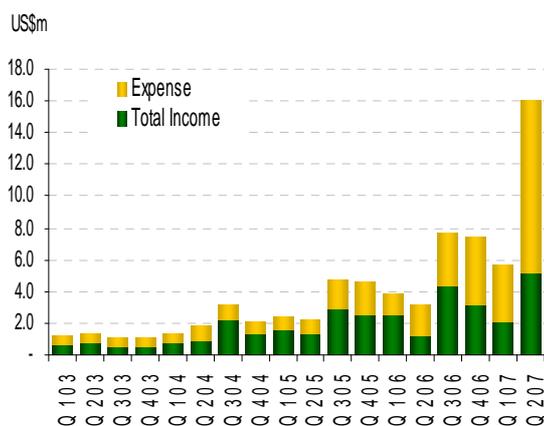
### Operating Results

By the end of June 07, operating income was recorded at US\$5.9m (equivalent to 0.6% of net assets) and was mainly comprised of dividend income (94%). Given a very strong, and some would say unsustainable run, in the market, VEIL shares slipped to a discount in the early part of the year. We anticipate that this discount will narrow as market fundamentals begin to re-establish. Excluding performance fees of US\$33.1m, operating expenses remained broadly in line with 1H06 at US\$10.8m.

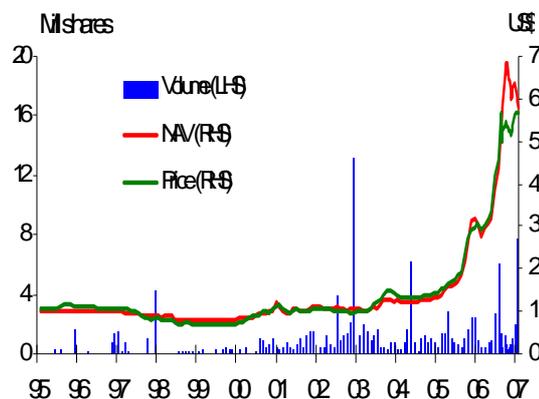
Sources of operating income	1H07 (US\$)	1H06 (US\$)	% change
Bond interest	910,116	85,328	996.61
Dividend income	3,345,198	3,555,510	(5.92)
Other income	1,667,817	151,045	1004.19



VEIL Income and Operating Expenses



VEIL Turnover



### THE ECONOMY

The Vietnamese economy is in a period of high capital investment and rapid transformation. GDP growth in the first half was beyond expectation at +7.9% yoy and official forecasts were raised to +8.5% for the full year. Persistent engines of growth were industrial production at +16.9%, and retail sales growth at +22.9%. Enthusiasm following the recent WTO accession netted an 83.4% increase in FDI commitments to \$5.2bn. These growth rates signify that the economy is experiencing a large expansion in aggregate demand, resulting in an expected price adjustment.

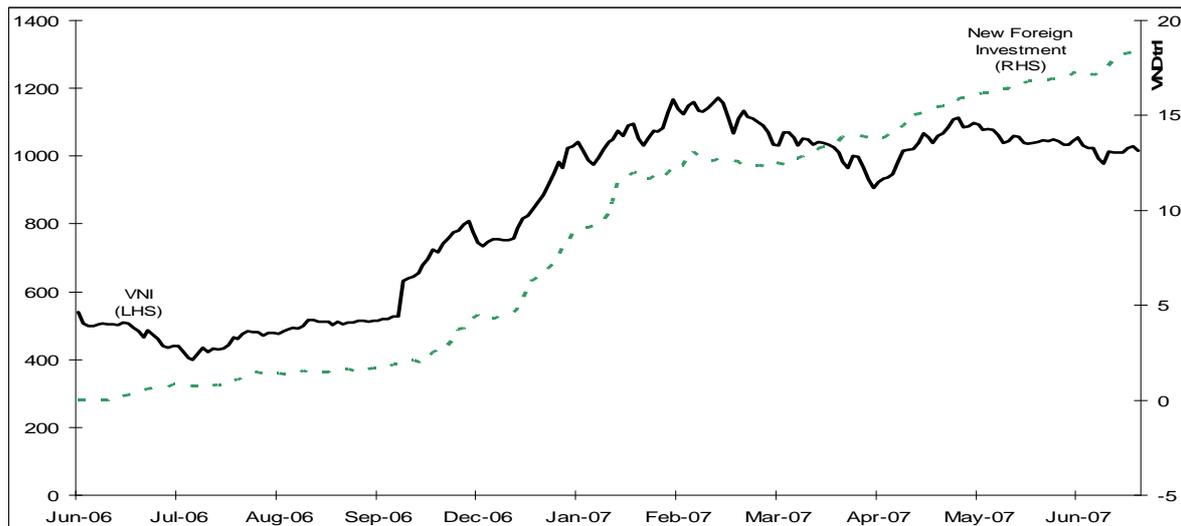
One point of concern was the trade deficit, which hit \$4.7bn as imports dramatically outpaced exports, at a respective +30% and +18%. But the deficit is coming from capital accumulation rather than consumption. If imports soared, it was because machinery rose 40%, with a sizable portion going to the Dung Quat oil refinery, and because increased intermediate +50% goods, as producers sought to take advantage of lower post-WTO tariffs. This was all about fixed investment. Exports, meanwhile, were off pace due to a mishap on the energy side. An accident at the major oil field (White Tiger) caused a gas leak, halting several weeks of drilling, resulting in oil exports falling by 6%. Non-oil was in rather good shape, rising 23%, but since crude is such an important item, overall exports rose only 18%. Still it is clear that the trade deficit mostly derives from increasing productive capacity that will ultimately fuel the exports and reverse the deficit. Also, the deficit is still being mostly financed by the current account. We estimate tourism and overseas remittance growth to have netted over \$3b of inflows for the half.

Another concern is the inflation rate, reaching 5.2% for the first half. Partially to blame is regional inflation and the lingering effects of several price shocks from the agriculture sector (avian flu, foot and mouth disease, contaminated food scares in China). But with Vietnam's prices increasing 1-2 percentage points above the region, there is possible evidence of a transmission effect from the exchange rate regime. With foreign investment capital pouring in over the past six months while the government systematically suppressed the VND against the US\$, inflation has been stoked. The State Bank of Vietnam (SBV) has since taken measures to reduce the demand for VND by widening the currency band, doubling banks' mandatory reserves, and forcing interest rate parity between the VND and the USD. By the end of June, appreciatory pressure on the Dong had decreased, currency trading had returned to the center of the band, and the SBV raked in \$7bn in official exchange reserves. This extended import cover to around 4.5 months. While these recent measures should cool the CPI somewhat, only a more flexible currency policy will eliminate this inflationary dynamic.

The fundamentals of a smart, low-cost workforce continue to make Vietnam one of the strongest economies in the world. A Price Waterhouse Coopers study ranked Vietnam the number-one country for manufactured export investment, and it remains the major destination for 'China +1' diversification strategies. FDI will increase in 2H07 - typically the latter half of the year sees a jump over the first six months (2H06 had \$10bn of commitments). A 25% increase on last year's massive numbers, pushing FDI to around \$16bn for the year, would not be a surprise. There is an abundance of new projects in development, such as Foxconn's \$5-6bn high-tech industrial parks and associated social infrastructure, and the many feeder complexes for Intel's test assembly plant in HCMC. Tata Steel also recently announced a \$3.5bn steel factory that it will locate in Vietnam in preference to Thailand. The significance of these projects should not be taken for granted. The move from textile exports to hi-tech and heavy-industrial ones in such a short time span continues to make the Vietnamese economy - and people - one of the most dynamic stories in history.

### THE STOCKMARKET

The market started out the year continuing the upswing from 2006. Beginning at 752, the Index rose 55.7% to reach 1171 in early March, with daily volume peaking around that time at \$100m. Since then, the VNI has faded somewhat, bottoming in April at 905, but in general tending to float around 1000.



Amid the general slowdown, the less-than-glorious showing of the two equitizations so far, PetroVietnam Fertilizer and Bao Viet Insurance, has left domestic investors doubly hesitant. With more major IPOs planned for the second half, there is general concern about the effect on the spluttering market of too much paper. But while to date there is no official announcement we anticipate the Government to show prudence in avoiding any market saturation. Against these uncertainties, foreign buying continues at a steady rate – well off the peak of 2H06 – 1Q07, but on an accumulating trend nonetheless (see graph). Many new funds have been set up but they have not been able to put all their capital to work, and there is an estimated \$1-2bn sitting offshore waiting to invest. This money seems to pounce on any weakness whenever it materializes and it will support the Index nicely in the 900-1000 range.

### THE FUND

VEIL closed the period +33.6%, which was a slight underperformance (2.34% lower) versus the VN Index. This was undoubtedly reflected by the Fund's heavy 31% weighting in bank stocks. The banking sector only represents 11% of the index, and VEIL's holdings are more OTC focused, where considerable volatility was experienced during the period, due to domestic investor trade. That said, from a sector perspective, the bank holdings made it into the top three performers, together with materials and F&B. Though the prices of bank stocks on average gained 25% ytd, their heavy weight (31%) and low original purchase price, having been acquired within the last decade, played a key role in delivering the highest return amongst the Fund's sectors.

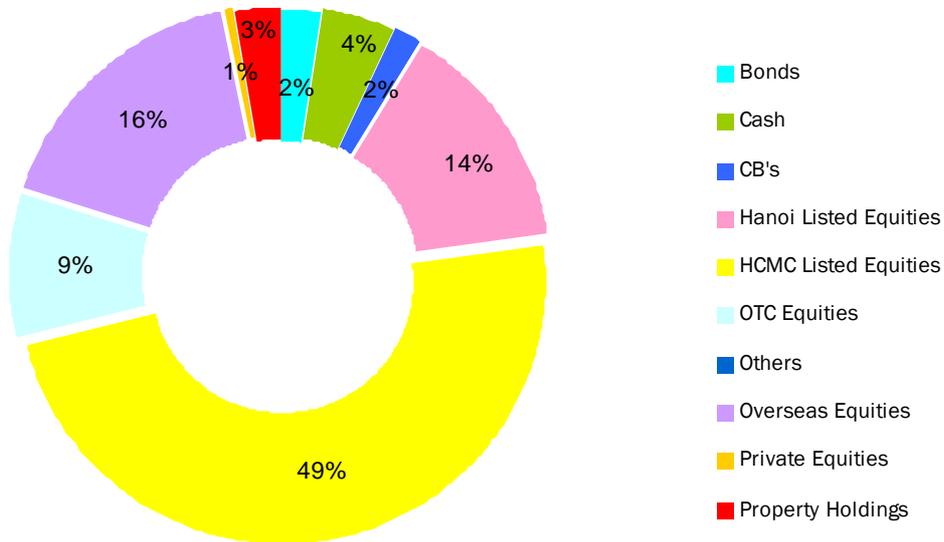
Material stocks, primarily made up of Canadian listed junior mining companies, were the second largest contributor (8%) to the overall achievements mainly due to world strong demand for nickel, tungsten, gold and petroleum that drove their stock prices up significantly. In particular, nickel prices rallied a record 380% increase versus prior year.

With a 4.8% contribution to the Fund's NAV, the F&B sector continues to play an important role within the portfolio, with its stable nature continuing to keep investors interested in an unpredictable market climate. In addition, Vinamilk, the biggest F&B stock (13.2% of the market), Agifish and a few other F&B companies reported positive first half results in both revenues and profit, which, on average increased 30% and 41% respectively vs 1H06.

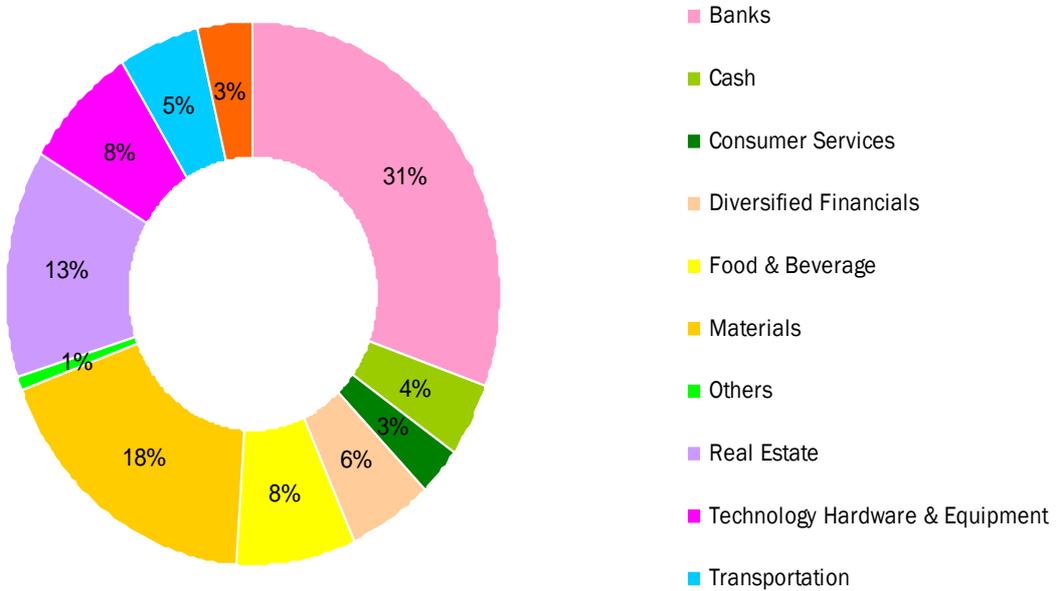
# VIETNAM ENTERPRISE INVESTMENTS LIMITED

## PORTFOLIO HOLDING & ANALYSIS

VEIL R by Asset Class



VEIL R by Sector



# VIETNAM ENTERPRISE INVESTMENTS LIMITED

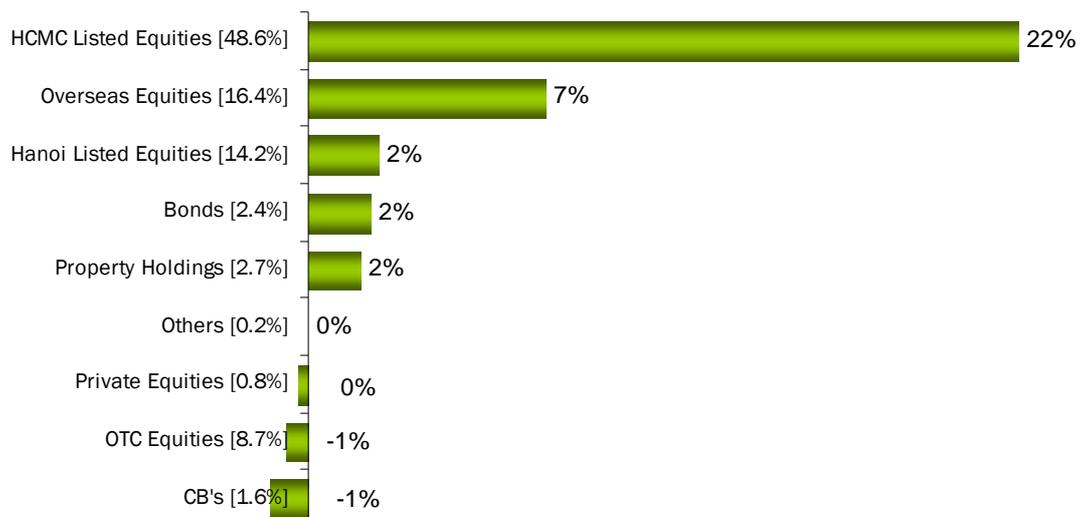
## PORTFOLIO HOLDING & ANALYSIS

### Top Ten Holdings

Investment	Industry	Market Value	% NAV
Tiberon	Materials	130,763,357	14.34
ACB	Banks	121,942,373	13.37
Sacombank	Banks	98,705,270	10.82
REE	Real Estate	92,071,674	10.10
Sacom Cable	Technology Hardware & Equipment	66,885,681	7.33
Vinamilk	Food & Beverage	65,711,606	7.21
VP Bank	Banks	37,662,624	4.13
VF1	Diversified Financials	37,461,872	4.11
Gemadept	Transportation	37,124,271	4.07
Vinaconex	Real Estate	25,945,443	2.85
<b>TOTAL</b>		<b>714,274,171</b>	<b>78.33</b>

### Performance Attribution at 30 June 2006

% of changes in net assets, net of distribution





## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### CONDENSED CONSOLIDATED INCOME STATEMENT Six months ending 30 June 2007 (unaudited)

	Note	For the six months ended 30 June 2007	For the six months ended 30 June 2006	% Change
		US\$	US\$	
<b>INCOME</b>				
Non-bank income:				
Bond interest income		910,116	85,328	
Dividend income		3,345,198	3,555,510	
Other interest income from investments		6,115	12,292	
Sundry income		<u>720,873</u>	<u>8,569</u>	
		4,982,302	3,661,699	36.06%
Bank interest income		<u>940,829</u>	<u>130,184</u>	622.69%
<b>TOTAL INCOME</b>		<u>5,923,131</u>	<u>3,791,883</u>	56.20%
<b>EXPENSES</b>				
Administration fee		(493,572)	(176,311)	
Audit fee		(30,249)	(29,500)	
Custodian fee		(147,414)	(63,257)	
Directors' fees		(23,847)	(35,418)	
Income participation fee		-	(124,294)	
Interest expense on a loan		-	(70,165)	
Legal and professional fees		(363,941)	(65,181)	
Management fee		(9,608,479)	(2,676,653)	
Performance fee		(33,089,110)	(32,831,657)	
Other operating expenses		<u>(176,573)</u>	<u>(330,109)</u>	
<b>TOTAL EXPENSES</b>		(43,933,185)	(36,402,545)	20.69%
NET LOSS BEFORE INVESTMENT AND EXCHANGE DIFFERENCES		(38,010,054)	(32,610,662)	
<b>INVESTMENT AND EXCHANGE LOSSES</b>				
Exchange losses, net		(43,720,547)	(29,785)	
Realised gains on investments		41,931,361	2,984,894	
Change in unrealised gains on listed investments		179,486,071	87,495,129	
Change in unrealised gains on unlisted investment		50,345,036	92,761,545	
		<u>228,092,223</u>	<u>183,211,783</u>	
<b>PROFIT FOR THE PERIOD</b>		190,082,169	150,601,121	
BASIC EARNINGS PER REDEEMABLE SHARE	6	<b>1.43</b>	<b>1.38</b>	

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY Six months ending 30 June 2007 (unaudited)

	<i>Issued Capital US\$</i>	<i>Share Premium US\$</i>	<i>Retained earnings US\$</i>	<i>Total US\$</i>
At 1 January 2007	2,699,910	311,901,635	406,969,911	721,571,456
Conversion of conversion shares	(1,119,690)	1,119,690	-	-
Profit for the period	-	-	190,082,169	190,082,169
At 30 June 2007	1,580,220	313,021,326	597,052,080	911,653,625

#### Conversion of VEIL Conversion ("C") Share Class

Calculation of the conversion of VEIL's C Share Class was made following 80% investment of the C share assets, with the calculation date being 12 April 2007. The 150.0m C shares converted into 38,031,000 new Redeemable ("R") shares in a ratio of 0.25354 new R shares for each C shares. VEIL's issued share capital now comprises a single class of 158,021,000 R shares .

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS Six months ending 30 June 2007 (unaudited)

	2007	2006
	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the period	190,082,169	150,601,121
Adjustments for:		
Dividend income	(3,345,198)	(3,555,510)
Bank interest income	(940,829)	(130,184)
Bond interest income	(910,116)	(85,328)
Other interest income from investments	(6,115)	(12,292)
Interest expense on loan	-	70,165
Realised gains on investments	(41,981,663)	(2,984,894)
Change in unrealised gain on listed investments	(179,486,071)	(87,495,129)
Change in unrealised gain on unlisted investments	<u>(50,345,036)</u>	<u>(92,761,545)</u>
Operating loss before changes in operating assets and liabilities	(86,932,859)	(36,353,596)
Decrease in operating assets:		
Prepayments and other receivables	25,496,055	(10,891,528)
Increase in operating liabilities:		
Accounts payable and accrued liabilities	<u>15,991,243</u>	<u>27,667,855</u>
Cash (used in)/from operations	(45,445,561)	(19,577,269)
Dividends received	3,366,800	3,284,101
Bank interest income received	911,461	129,145
Bond interest income received	169,440	85,328
Other interest income from investments received	6,115	12,292
Interest on loan paid	<u>-</u>	<u>(100,165)</u>
Net cash flows used in operating activities	(40,991,745)	(16,166,568)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(105,744,147)	(3,454,658)
Proceeds from sale of investments	<u>108,452,733</u>	<u>15,184,361</u>
Net cash flows provided by investing activities	2,708,586	11,729,703
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of interest-bearing loan	<u>-</u>	<u>(2,000,000)</u>
Net cash flows provided by financing activities	-	(2,000,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(38,283,159)	(6,436,865)
Cash and cash equivalents at beginning of the period	<u>74,353,850</u>	<u>7,145,019</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>36,070,691</u>	<u>708,154</u>

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2007

#### 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 2007. 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 2007 were authorised for issue in accordance with a resolution of directors on 10th October 2007.

#### 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 2006. 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 2006.

#### 3. INVESTMENTS

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

	<i>30 June 2007</i>	<i>31 December 2006</i>	<i>31 December 2006</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
	Redeemable Shares	Redeemable Shares	Conversion Shares
Investments comprise the following:			
<b>Listed investments</b>			
Investments, at cost	162,201,791	94,881,460	72,841,933
Unrealised gains	546,115,104	366,629,033	50,371,033
At fair value	708,316,895	461,510,493	123,213,240
<b>Unlisted investments</b>			
Investments, at cost	158,889,794	30,667,745	20,575,140
Unrealised gains	95,850,086	45,505,050	12,480,923
At fair value	254,739,880	76,172,795	33,056,063
<b>Total investments at fair value</b>	<b>963,056,775</b>	<b>537,683,288</b>	<b>156,269,303</b>

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2007

#### 3. INVESTMENTS (continued)

##### Listed investments

As at 30 June 2007, the Company held the following listed investments:

	Industry	Fair Value	% NAV
<b>BONDS</b>			
Agribank Bond	Banks	24,039,058	2.63
ACB Convertible Bond	Banks	15,649,157	1.72
CII-Bond 8% 15/09/09	Transportation	650,961	0.07
		<b>40,339,176</b>	<b>4.42</b>
<b>OVERSEAS EQUITIES</b>			
Asian Mineral	Materials	15,424,736	1.69
Olympus Pacific	Materials	14,021,420	1.54
Vedan	Food & Beverage	2,843,906	0.31
Keeper Resources +	Materials	2,731,931	0.30
		<b>35,021,993</b>	<b>3.84</b>
<b>VIETNAM LISTED EQUITIES</b>			
ACB + TT	Banks	121,942,373	13.37
Sacombank + TT	Banks	98,705,270	10.82
REE +	Real Estate	92,071,674	10.10
Sacom Cable TT	Technology Hardware & Equipment	66,885,680	7.33
Vinamilk TT	Food & Beverage	65,711,605	7.21
VF1 + TT	Diversified Financials	37,461,872	4.11
Gemadep TT	Transportation	37,124,271	4.07
CII	Transportation	16,607,194	1.82
Pha Lai Power	Utilities	16,408,124	1.80
Thu Duc House	Real Estate	15,167,034	1.66
Vinh Son-Song Hinh	Utilities	13,772,171	1.51
Bao Viet Security	Diversified Financials	11,389,046	1.25
Thang Long	Technology Hardware & Equipment	9,466,832	1.04
Concrete 620	Materials	8,667,446	0.95
Agifish +	Food & Beverage	7,783,326	0.85
Thac Ba Power	Utilities	5,079,146	0.56
Binh Minh Plastics	Materials	4,547,502	0.50
Savimex	Consumer Durables & Apparel	3,342,033	0.37
Halong Canning	Food & Beverage	823,001	0.09
Incomfish	Food & Beverage	113	0.01
Bien Hoa Sugar	Food & Beverage	13	0.01
		<b>632,955,726</b>	<b>69.43</b>

TT- Top Ten Holding

+ - Additional position acquired during 2007 to investment held in 2006 portfolio.

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2007

#### 3. INVESTMENTS (continued)

##### Unlisted investments

As at 30 June 2007, the Company held the following unlisted investments:

	Industry	Fair Value	% NAV
<b>OTC EQUITIES</b>			
VP Bank +	Banks	37,662,624	4.13
Vinaconex	Real Estate	25,945,447	2.85
Phuong Nam Bank	Banks	10,773,629	1.18
VF2	Diversified Financials	6,714,792	0.74
Tay Ninh Rubber	Materials	6,497,210	0.71
Vitaco	Energy	626,038	0.07
		<b>88,219,740</b>	<b>9.68</b>
<b>PRIVATE EQUITIES</b>			
Tiberon + TT	Materials	130,763,357	14.34
Pacific Ocean	Energy	2,689,565	0.30
Glass Egg	Software & Services	1,648,874	0.18
Vietnam Investment Fund	Diversified Financials	1,680,000	0.18
Global Cybersoft	Software & Services	1,303,440	0.14
Betafund	Diversified Financials	34,010	0.01
		<b>138,119,246</b>	<b>15.15</b>
<b>PROPERTY HOLDINGS</b>			
Danao	Consumer Services	18,000,000	1.97
Hanoi Lake View	Consumer Services	8,250,000	0.90
PDD	Real Estate	560,894	0.06
		<b>26,810,894</b>	<b>2.93</b>
<b>LOANS</b>			
Qudos - promissory notes	Real Estate	1,350,000	0.15
Glass Egg - promissory notes	Software & Services	240,000	0.02
		<b>1,590,000</b>	<b>0.17</b>
<b>TOTAL</b>		<b>963,056,775</b>	<b>105.64</b>

TT- Top Ten Holding

+ - Additional position acquired during 2007 to investment held in 2006 portfolio.

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2007

#### 4. 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 its 1.27% interest in Gemadep, 1.34% interest in Sacom Cable and 0.91% in Vietnamilk at prevailing market prices, to Vietnam Dragon Fund Limited, a company also managed by a subsidiary of the same parent company as the Investment Manager.

Dragon Capital's fourth fund, Vietnam Resource Investments (Holdings) Limited, (VRI), was listed on the Luxembourg Stock Exchange on the 6 August 2007, with closing subscriptions of US\$190,000,000. In accordance with this subscription level and the limitations of its placing document and prospectus, VRI has the option until 31 December 2008 ("the Option") to acquire indirectly an interest in Tiberon Minerals Limited ("Tiberon") of up to US\$100 million from Vietnam Resource Investment Limited ("VRIL"), a company owned by the Company, Vietnam Growth Fund ("VGF") and Vietnam Dragon Fund ("VDF"), (the "DC Equity Funds") following their combined acquisition of the 100% indirect interest in Tiberon in the first quarter of 2007, as reported in their respective 2006 annual reports. The Option was partially exercised on September 27, 2007—see "Post Balance Sheet Events" at note (9). The Option price was calculated by reference to the acquisition price for Tiberon; the associated costs with the acquisition; and a risk premium of 5% (calculated to provide the DC Equity Funds with a greater return through the interest rate prevailing at the time of acquisition until such time as VRI was listed and in a position to exercise the Option).

#### 5. 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 redeemable shares following conversion of the Conversion Share Class as at 30 June 2007 of US\$911,653,625 (31 December 2006: US\$519,609,873) and 158,021,000 (31 December 2006: 119,990,000) redeemable shares in issue as at that date.

#### 6. BASIC EARNINGS 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 following conversion of the Conversion Share Class of US\$190,082,169 and the weighted average of 132,807,077 redeemable shares in issue during the period.

#### 7. NON-CONSOLIDATION OF INVESTMENT

We have chosen not to consolidate the Company's holding in Tiberon into the condensed interim financial statements believing presentation of the investment at fair value to be more meaningful to our investors.

The DC Equity Funds' acquisition of a 100% indirect interest in Tiberon, in February 2007 was made through TML Acquisition Ltd ("TML"), a special purpose vehicle now incorporated in British Columbia ultimately held by VRIL. TML subsequently amalgamated with Tiberon as a British Columbia entity under the name Tiberon. The DC Equity Funds holdings in VRIL and VRIL's holdings in its subsidiaries, which now control Tiberon, were determined taking into account the DC Equity Funds' prior holdings in Tiberon, and Canadian considerations in the context of such holdings.

It was always the intention that VRI would have the possibility to acquire an interest in Tiberon from the other DC Equity Funds by exercising the Option. When this occurred, the Company's indirect economic interest in Tiberon was reduced from 50.01% to 30.45%.

## VIETNAM ENTERPRISE INVESTMENTS LIMITED

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2007

#### 8. ISSUED CAPITAL

	30 June 2007	31 December 2006
	US\$	US\$
Authorised:		
200,000,000 (2006: 3,000,000) redeemable shares of US\$0.01 each	2,000,000	3,000,000
Nil (2006: 1,500,000) conversion shares of US\$0.01 each	-	1,500,000
1,000 management shares of US\$0.01 each	10	10
	<u>2,000,010</u>	<u>4,500,010</u>
Issued and fully paid:		
158,021,000 (2006: 119,990,000) redeemable shares of US\$0.01 each	1,580,210	1,199,900
Nil (2006: 150,000,000) conversion shares of US\$0.01 each	-	1,500,000
1,000 management shares of US\$0.01 each	10	10
	<u>1,580,220</u>	<u>2,699,910</u>

#### 9. POST BALANCE SHEET EVENTS

On 24 July 2007, Tay Ninh Rubber, in which VEIL holds a 2.7% interest, was listed on the Ho Chi Minh City Stock Exchange.

On September 27, 2007, VRI exercised its Option to acquire an indirect interest in Tiberon, as a result of which VEIL's economic indirect interest in Tiberon was reduced to 30.45% from 50.1%. Out of a total Option exercise price of US \$99,999,999.07, VEIL received US \$53,709,771.73, representing a dividend, return of capital and return of over-subscription totalling US \$49,333,691.05; and an amount of US \$4,376,080.86 advanced by VRIL, repayable by October 31, 2008, with interest payable at the six-month LIBID rate. On 1<sup>st</sup> September, Tiberon was merged with TML.