

**VIETNAM**

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ENTERPRISE  
INVESTMENTS  
LIMITED



INTERIM REPORT 2008

# 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/Resources
Agribank Bond 10.2% 10/10/21	Agri-Bond 10.2% 10/10/2021	Banks
Asia Commercial Joint Stock Bank	ACB	Banks
Asia Commercial Joint Stock Bank - Convertible Bond	ACB - Conv Bond	Banks
Asian Mineral Resources Limited	Asian Mineral	Materials/Resources
Bao Viet Securities Corporation	Bao Viet Securities	Diversified Financials
Binh Minh Plastics Joint Stock Company	Binh Minh Plastics	Materials/Resources
Cables and Telecommunications Material Joint Stock Company	Sacom Cable	Technology Hardware
Corporation for Financing and Promoting Technology	FPT	Retailing
Danao International Holdings Limited	Danao	Consumer Services
Danao International Holdings Limited	Danao - Loan 8.5% 02/08/2009	Consumer Services
Danao International Holdings Limited	Danao - Loan 8.5% 27/06/2010	Consumer Services
General Forwarding and Agency Corporation	Gemadept	Transportation
Glass Egg Digital Media Limited	Glass Egg	Software & Services
Glass Egg Digital Media Limited - Promissory notes 9% 31/12/2008	Glass Egg - Promissory notes 9% 31/12/2008	Software & Services
Global Cybersoft Incorporation	Global Cybersoft	Software & Services
Halong Canned Food Stock Corporation	Halong Canning	Food/Beverage
Ho Chi Minh Investment Fund for Urban Development HIFUGB 9.0% 27/09/14	Ho Chi Minh Investment Fund for Urban Development HIFUGB 9.0% 27/09/14	Diversified Financials
HCMC Infrastructure Investment Joint Stock Company	CII	Transportation
HCMC Infrastructure Investment Joint Stock Company - Conv 8% 15/09/09	CII - Bond 8% 15/09/2009	Transportation
Olympus Pacific Minerals Incorporation	Olympus Pacific	Materials/Resources
Pacific Ocean Shipping Joint Venture Company	Pacific Ocean	Transportation
PetroVietnam Drilling and Well Services Joint Stock Company	PV Drilling	Energy
Pha Lai Thermo Power Joint Stock Company	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
Refrigeration Electrical Engineering Corporation	REE	Real Estate
Saigon Beer Alcohol and Beverage Corporation	Sabeco	Food/Beverage
Saigon Telecommunication and Technologies Corporation	Saigon Tel	Real Estate
Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank	Banks
Savimex Corp.	Savimex	Consumer Durables
Thang Long Cable Joint Stock Company	Thang Long Cable	Technology Hardware
Thu Duc House Development Joint Stock Company	Thu Duc House	Real Estate
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 Enterprise Investments Limited	VEIL	Diversified Financials
Vietnam Development Bank VDBGB 8.4% 23/01/12	Vietnam Development Bank VDBGB 8.4% 23/01/12	Banks
Vietnam Development Bank VDBGB 9.2% 30/06/18	Vietnam Development Bank VDBGB 9.2% 30/06/18	Banks
Vietnam Investment Fund Singapore Limited	VIFS	Diversified Financials
Vietnam Resource Investments Cayman Limited (Tiberon Investment)	VRICLTBR	Materials/Resources
Vietnam Securities Investment Fund - VF1	VF1	Diversified Financials
Vietnam Securities Investment Fund - VF2	VF2	Diversified Financials
Vinh Son-Song Hinh Hydropower Joint Stock Company	VinhSon-SongHinh	Utilities

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(Including unaudited financial statements for the six months ended 30 June 2008)

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# BOARD OF DIRECTORS

## BOARD OF DIRECTORS

### **RICHARD McKEGNEY**

#### **Chairman (since 23 August 2007) and 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.

### **HARTMUT GIESECKE**

#### **Independent non-executive director**

Mr. Giesecke is non-executive 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 Dragon Capital Group Limited. He represents VEIL on the boards of a number of its investments, namely five listed companies. Mr. Scriven speaks Vietnamese and has resided in Vietnam for sixteen years.

### **JOHN SHRIMPTON**

#### **Non-executive director**

Based in Vietnam, Mr. Shrimpton is a director and co-founder of Dragon Capital Group Limited. 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 eleven.

# INVESTMENT MANAGER'S REPORT

# INVESTMENT MANAGER'S REPORT

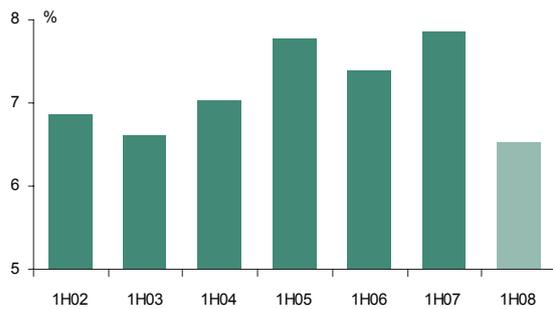
## THE ECONOMY

### Reforms showing steady progress

Growth in 1H08 came in at 6.5%, a little below the six year average of 7.1%. The CPI slowed to 1% mom growth levels, closing the period at 26.8%. Exports have performed well, up 37.7% yoy, with a reported slow in imports helping to improve the trade deficit (USD600m in June). We expect further drops in imports for the coming months.

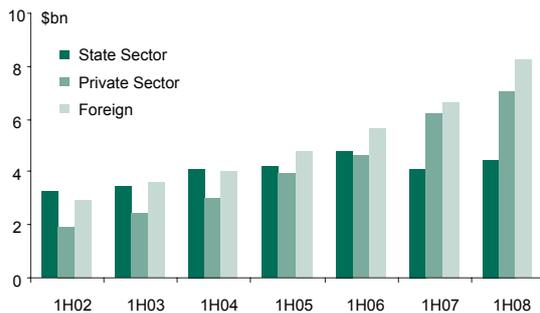
The central bank has continued to tighten monetary policy by raising the base rate 325 bps in May and a further 200 bps in June, closing at 14%. The retail deposit rates are between 17-18% but deposit growths have come down from more headier heights of +24% for the same period last year, to now +9%. We know that the ongoing slowdown in credit growth is having an effect, based on reports of stalled projects in search of financing.

Subsidies reform is moving forward, with the recent liberalization of fuel prices. The Government increased the benchmark A92 petrol price from VND14,500 to VND19,000 per liter, bringing it more into line with global prices. This should help relieve budget spending pressures.



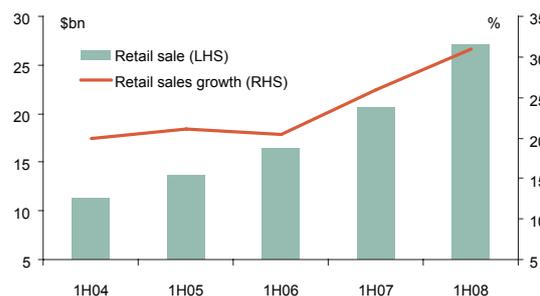
### Average Q1 growth

In 1H08, Vietnam posted GDP growth of 6.5%, just behind the half year growth average. The main culprit was the construction and services sector, whose growth has dropped from 9.9% in 1H07 to 7.0% in 1H08. The service sector experienced a milder fall from 8.4% in 1H07 to 7.6% in 1H08.



### Industrial production

1H08 Industrial production growth is +18.7% versus 1H07. The foreign sector is growing steadily at 25%, and the private sector +6.3%, compared to the State sector's 6.7%.

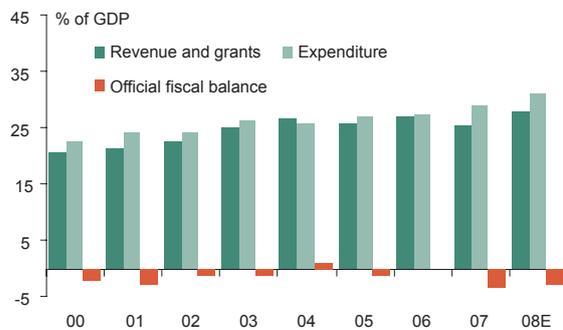
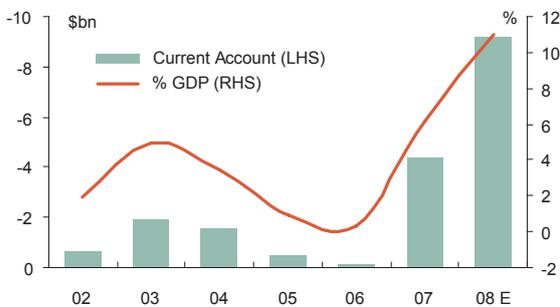
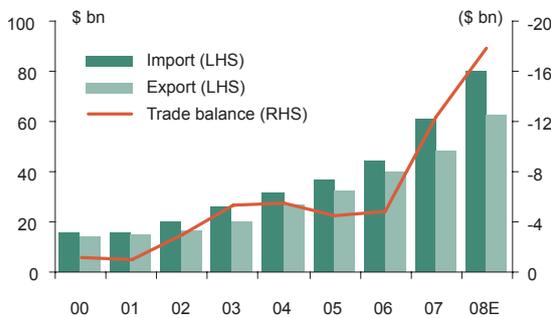
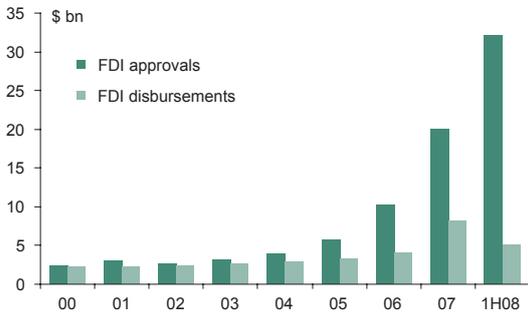


### Retail sales

Retail sales in 1H08 increased by 30% relative to 1H07. When removing the effect of inflation, retail sales rose a modest 8% in 1H08, compared with the 15% of 1H07. With recent tightening of monetary policy, we project lower growth for the year at 22%, equivalent to USD55bn by the end of 2008.

# INVESTMENT MANAGER'S REPORT

## THE ECONOMY



## Foreign Direct Investment

FDI continues to pour into the country, now standing at USD31bn at the end of 1H08. While 1Q08 has heavily stilted to real estate, 57% of new FDI was dedicated to industrial projects in the Q2. Deployment rates are steady with \$5bn disbursed during the period.

## Trade Deficit

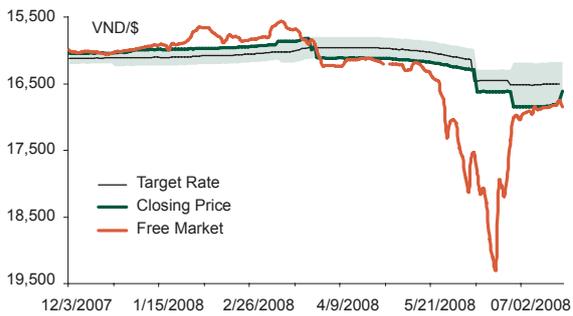
Exports performed well, +37.7%yoy against slowing imports. A USD600m trade deficit was posted in June - we expect further drops in imports for the coming months.

## Current Account

Strong growth in stable inflows continues to support the trade deficit, in particular USD3.8bn flows of FDI (BOP accounting) and more than USD4bn in remittances. Foreign short-term debt remains limited, and portfolio investment is mostly locked in closed-end accounts. The current account deficit, although high, continues to be an indicator of the massive investment being absorbed by the economy.

## Fiscal Stance

Subsidies reform is moving forward, with the recent liberalization of fuel prices. The Government increased the benchmark A92 petrol price from VND14,500 to VND19,000 per liter, bringing it more into line with global prices. This should help relieve budget spending pressures.



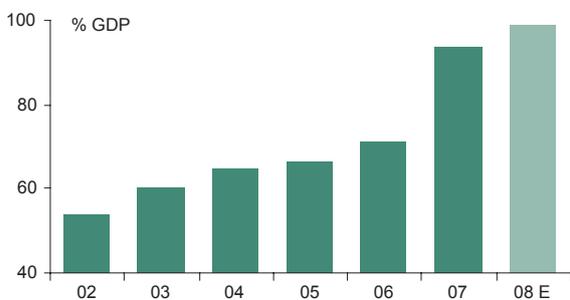
### Exchange Rate

Throughout June, the VND mostly traded above 17,000:USD1. It hit 19,400 on June 19 and has strengthened ever since. After the SBV announced a ban of third currency trading, the interbank FX market died a death. The SBV then acted to stabilize the dollar market through modest interventions, new FX swap instruments, and probing the SOCBs to stop their hoarding. The interbank market recommenced trading with good volumes, resulting in a more stable VND at 16,700.



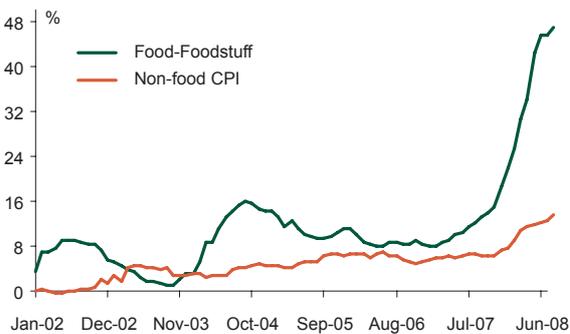
### Money Market

Overnight rates have been more stable in 2Q08 than 1Q08. Given credit growth at 21% and money supply growth at 4.9% for 1H08, it is clearly short liquidity on VND.



### Ratio of Credit to GDP

Credit growth has slowed since its peak of 6.2% mom in January. Banks in HCMC and Hanoi have reported only modest deposit growth during 2Q08. The SBV have tried to achieve the twin targets of controlling credit growth (targeting 30%) and the balancing of capital liquidity, via open market operations. According to our estimation, SBV has withdrawn about VND65 trillion out of the market since the beginning of the year.



### Food Inflation

Inflation rose 2.1% mom in June leaving closing lower than expected at 20.3% yoy. The monthly rise in June inflation was one of the smallest rises since October last year. Non-food inflation rose modestly to 12.2%. Taking into account the government's decision to hike domestic fuel prices, we expect headline inflation to peak around 31% yoy in Oct before settling in the last two months of 2008.

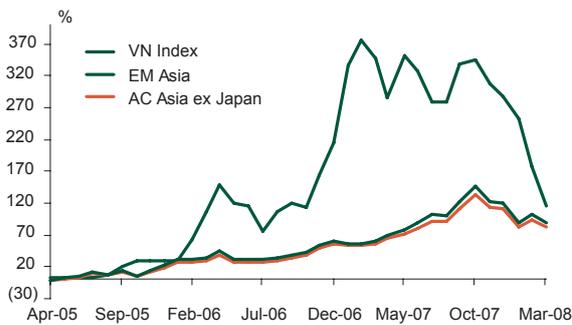
# INVESTMENT MANAGER'S REPORT

## VIETNAM'S STOCK MARKET

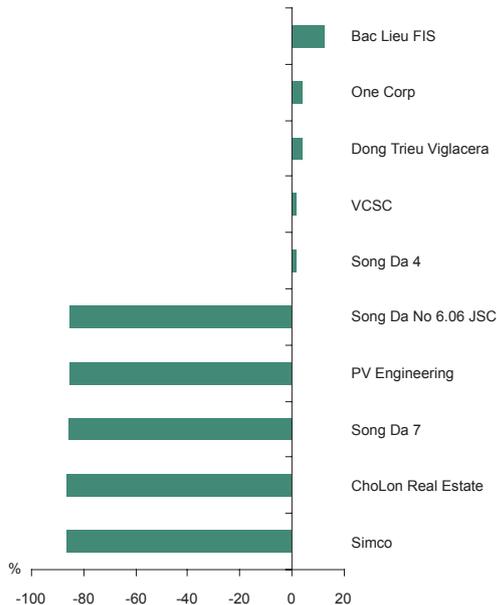
### Key Valuation Matrix

30 June - VNI 399	2007	2008F	2009F	2010F
P/E (x)	10.8	10.8	9.4	7.7
EPS growth (%)	36.2	(3.7)	12.3	20.7
PEG (x)	0.3	neg	0.8	0.4
Sales growth (%)	35.7	24.9	24.1	17.3
EBIT growth (%)	44.7	17.1	30.3	27.1
PBT growth (%)	73.6	11.2	27.2	24.0
NPAT growth (%)	76.1	8.7	17.1	21.1
Listed companies	253	300+	400+	500+

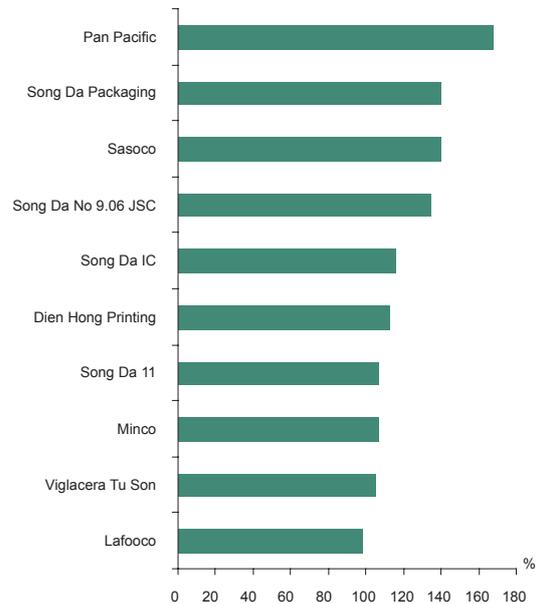
VN Index at 30 June 08	399.40
%MoM	(3.55)%
%YTD	(56.92)%
%YoY	(61.02)%



### Top 5 +/- Stock Performance 1H08



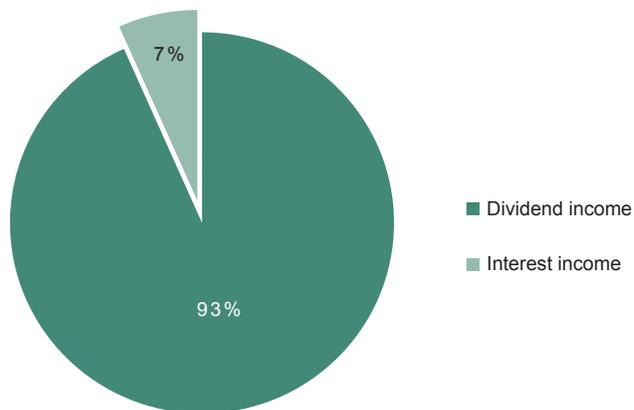
### Top 10 Trading Turnover 1H08



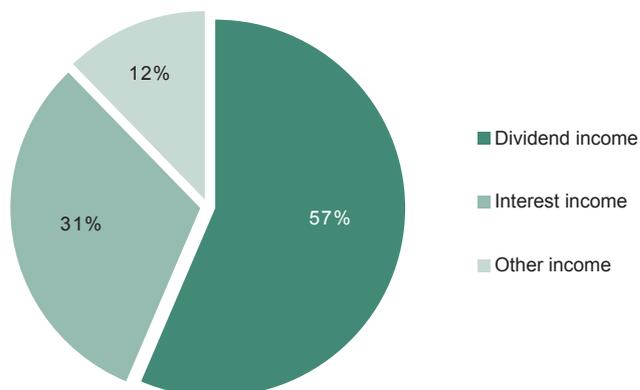
## SUMMARY OF OPERATING RESULTS

Source of income (USD)	1H08	1H07	% change
Dividend income	5,317,568	3,345,198	59.0%
Interest income	372,470	1,850,945	(78.9%)
Other income	1,094	726,988	(99.8%)
<b>Total</b>	<b>5,691,132</b>	<b>5,923,131</b>	<b>(3.9%)</b>

### Six months to 30 June 2008



### Six months to 30 June 2007



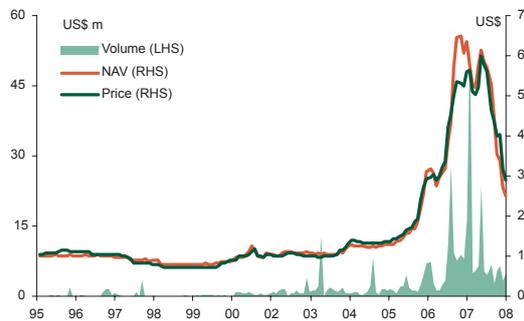
# PORTFOLIO PERFORMANCE

# THE PORTFOLIO PERFORMANCE

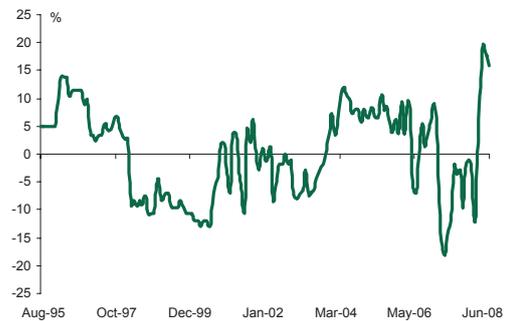
	30-Jun-08	31-Dec-07	% Change
Total Net Assets	\$434,476,440	\$901,231,025	(51.79%)
Number of Outstanding Shares	173,823,000	158,021,000	10.00%
Net Asset Value per Share	\$2.50	\$5.70	(56.14%)
Share Price (mid-price)	\$2.90	\$5.60	(48.21%)
Premium/(Discount)	16.02%	(1.75)%	-
USD/VND exchange rate	16,842	16,003	5.24%
VN Index	399.4	927.02	(56.92%)

	Six months to 30 June 2008		Year to 31 December 2007	
Period's high and low	High	Low	High	Low
Net Asset Value	\$5.34	\$2.41	\$6.84	\$5.16
Share price (mid-price)	\$5.35	\$2.88	\$6.00	\$4.55

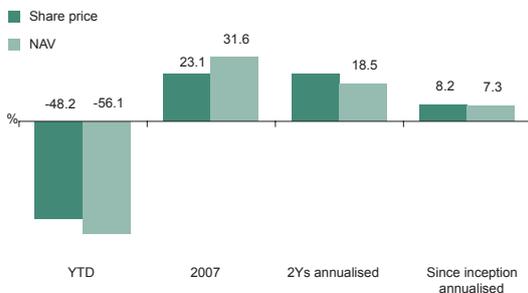
## Performance



## Premium/Discount



## Annualised Performance

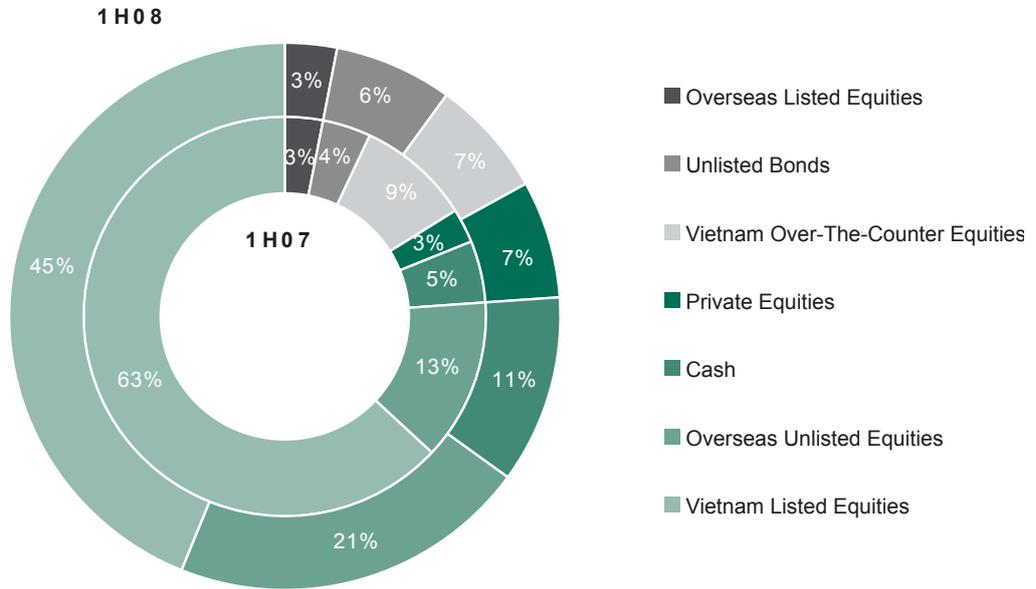


## Since Inception

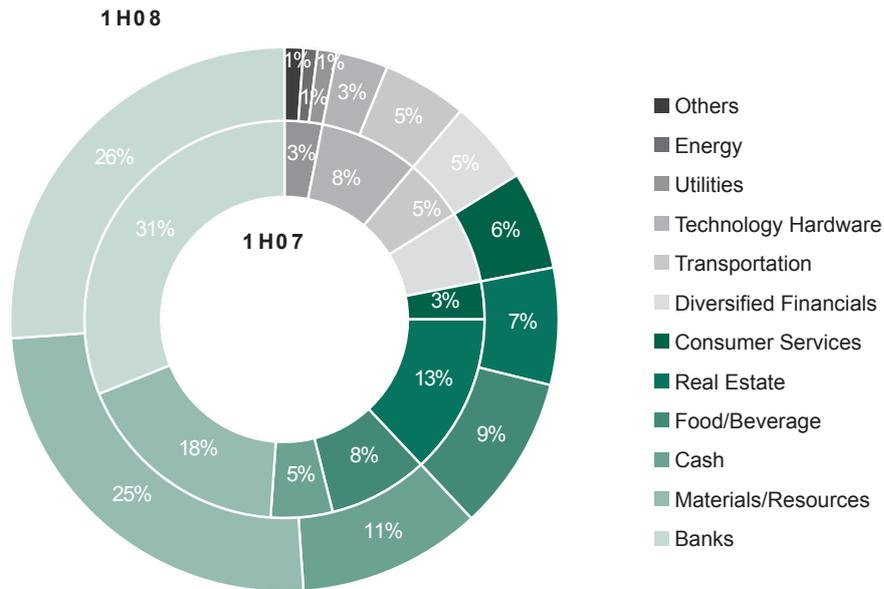


# PORTFOLIO LISTING BY ASSET CLASS AND SECTOR

## VEIL by Asset Class

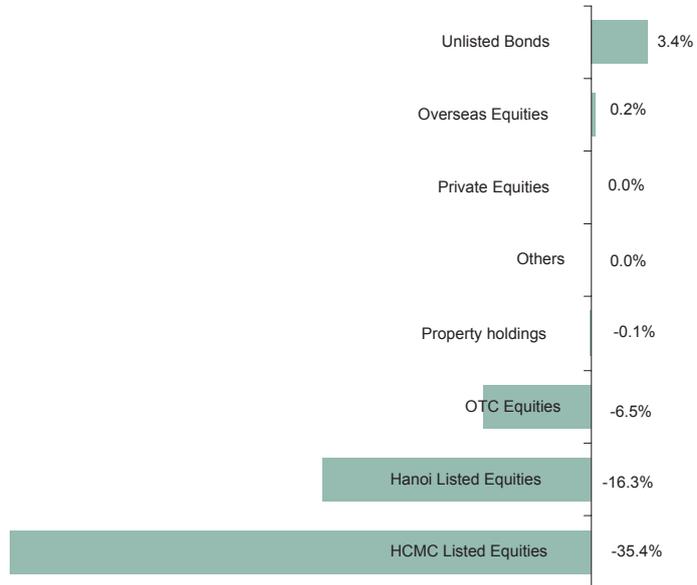


## VEIL by Sector

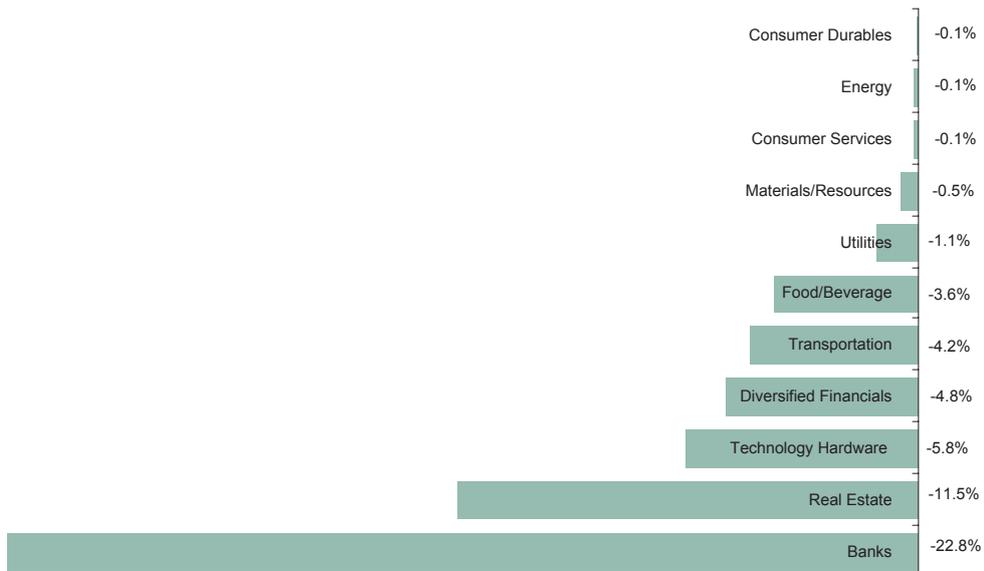


# YTD ATTRIBUTION

## YTD Attribution by Asset Class



## YTD Attribution by Sector



## TOP 10 HOLDINGS

### Top 10 Holdings

Investment	Industry	Market Value	% of NAV
VRICLTBR	Materials/Resources	94,542,427	21.76
ACB	Banks	46,078,500	10.61
Vinamilk	Food/Beverage	37,060,916	8.53
Sacombank	Banks	35,134,117	8.09
Danao	Consumer Services	23,010,750	5.30
REE	Real Estate	16,166,209	3.72
Agri-Bond 10.2% 10/10/2021	Banks	13,878,993	3.19
ACB Conv Bond	Banks	12,557,788	2.89
Sacom Cable	Technology Hardware	11,605,375	2.67
VF1	Diversified Financials	11,516,447	2.65
<b>TOTAL</b>		<b>301,551,522</b>	<b>69.41</b>

### Top & Bottom 5 by YTD Attribution

#### Top 5

Stock	Sector	YTD Return (%)
CII - Bond 8% 15/09/2009	Transportation	100.00
Danao	Consumer Services	27.84
VRICLTBR	Materials/Resources	9.28
VIFS	Diversified Financials	6.69
PDD	Real Estate	-

#### Bottom 5

Stock	Sector	YTD Return (%)
Bao Viet Securities	Diversified Financials	(84.67)
Sacom Cable	Technology Hardware	(81.53)
REE	Real Estate	(79.93)
Thang Long Cable	Technology Hardware	(78.57)
Vinaconex	Real Estate	(78.29)

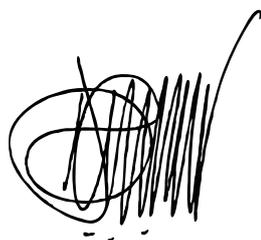


# FINANCIAL STATEMENTS

# CONDENSED BALANCE SHEET

At 30 June 2008 (unaudited)

	Note	30 June 2008 USD	31 December 2007 USD	% Change
<b>CURRENT ASSETS</b>				
Financial Assets at Fair Value through profit or loss	3	408,566,369	917,190,305	(55.45%)
Cash and cash equivalents		45,399,154	17,764,151	
Due from brokers		2,037,040	1,081,287	
Prepayments and other receivables		5,774,844	2,010,668	
		461,777,407	938,046,411	
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities		27,300,967	36,815,386	
<b>NET ASSETS</b>		434,476,440	901,231,025	(51.79%)
<b>EQUITY</b>				
Issued capital		1,738,240	1,580,220	
Share premium		356,666,449	313,021,325	
Retained earnings		76,071,751	586,629,480	
<b>TOTAL EQUITY</b>		434,476,440	901,231,025	
NUMBER OF ORDINARY SHARES IN ISSUE	7	173,823,000	158,021,000	
NET ASSET VALUE PER ORDINARY SHARE	5	USD2.50	USD5.70	(56.15%)



**Dominic Scriven O.B.E.**  
Director  
25 September 2008



**John Shrimpton**  
Director  
25 September 2008

## CONDENSED INCOME STATEMENT

### Six months ended 30 June 2008 (unaudited)

	Note	For the six months ended 30 June 2008	For the six months ended 30 June 2007	% Change
<b>INCOME</b>				
Interest income		372,470	1,857,060	
Dividend income		5,317,568	3,345,198	
Sundry income		1,094	720,873	
<b>TOTAL INCOME</b>		<b>5,691,132</b>	<b>5,923,131</b>	<b>(3.92%)</b>
<b>EXPENSES</b>				
Administration fee		(313,391)	(493,572)	
Audit fee		(69,049)	(30,249)	
Custodian fee		(94,018)	(147,414)	
Directors' fees		(31,250)	(23,847)	
Incentive fee		-	(33,089,110)	
Interest expense on debt securities		(94,448)	-	
Legal and professional fees		(192,026)	(363,941)	
Management fee		(6,224,316)	(9,608,479)	
Withholding tax		(425,230)	(83,881)	
Other operating expenses		(111,117)	(92,692)	
<b>TOTAL EXPENSES</b>		<b>(7,554,845)</b>	<b>(43,933,185)</b>	<b>(82.80%)</b>
<b>NET LOSSES BEFORE INVESTMENT AND EXCHANGE DIFFERENCES</b>		<b>(1,863,713)</b>	<b>(38,010,054)</b>	
<b>INVESTMENT AND EXCHANGE</b>				
Exchange losses, net		(373,881)	(43,720,547)	
Realised gains on investments		12,608,867	41,981,663	
Change in unrealised (losses)/gains on listed investments		(448,304,315)	179,486,071	
Change in unrealised (losses)/gains on unlisted investments		(72,624,687)	50,345,036	
<b>(LOSSES)/GAINS ON INVESTMENT AND EXCHANGE</b>		<b>(508,694,016)</b>	<b>228,092,223</b>	
<b>(LOSSES)/PROFITS FOR THE PERIOD/YEAR</b>		<b>(510,557,729)</b>	<b>190,082,169</b>	<b>(368.60%)</b>
BASIC (LOSSES)/EARNINGS PER REDEEMABLE SHARE	6	(3.21)	1.43	(324.48%)
BASIC (LOSSES)/EARNINGS PER CONVERSION SHARE		N/A	0.33	

## CONDENSED STATEMENT OF CHANGES IN EQUITY

### Six months ended 30 June 2008 (unaudited)

	Issued Capital USD	Share Premium USD	Retained earnings USD	Total USD
At 1 January 2008	1,580,220	313,021,325	586,629,480	901,231,025
Issued capital *	158,020	43,645,124		43,803,144
Loss for the period	-	-	(510,557,729)	(510,557,729)
At 30 June 2008	<b>1,738,240</b>	<b>356,666,449</b>	<b>76,071,751</b>	<b>434,476,440</b>
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	<b>1,580,220</b>	<b>313,021,325</b>	<b>597,052,080</b>	<b>911,653,625</b>

### Issue of redeemable shares

On 10 June 2008, the Company issued 15,802,000 new redeemable shares at a subscription price of USD2.80 per share (including a placing fee of USD0.028 per share). The newly issued redeemable shares were listed on the Irish Stock Exchange on 19 June 2008, ranking pari passu in all respects with the existing redeemable shares.

\* The amounts are shown net of a placement fee incurred of USD442,456 payable to Dragon Capital Markets Limited.

# CONDENSED STATEMENT OF CASH FLOWS

Six months ended 30 June 2008 (unaudited)

	30 June 2008 USD	30 June 2007 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Losses)/Profits for the period/year	(510,557,729)	190,082,169
Adjustments for:		
Dividend income	(5,317,568)	(3,345,198)
Interest income	(372,470)	(1,857,060)
Interest expense on debt securities	94,448	-
Realised (losses)/gains on investments	(12,608,867)	(41,981,663)
Change in unrealised losses/(gains) on listed investments	448,304,315	(179,486,071)
Change in unrealised losses/(gains) on unlisted investments	72,624,687	(50,345,036)
Operating losses before changes in operating assets and liabilities	(7,833,184)	(86,932,859)
Decrease/(Increase) in operating assets:		
Amount due from brokers	(955,753)	-
Prepayments and other receivables	(4,020,495)	25,496,055
Increase/(Decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(9,535,822)	15,991,243
Cash used in operating activities	(22,345,254)	(45,445,561)
Purchase of investments	(20,442,349)	(105,744,147)
Proceeds from sale of investments	20,746,150	108,452,733
Dividends received	5,356,370	3,366,800
Interest income received	647,813	1,080,901
Other interest income from investments received	-	6,115
Interest on debt securities paid	(130,871)	-
Net cash flows used in operating activities	(16,168,141)	(38,283,159)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of redeemable shares	44,245,600	-
Placement fee paid	(442,456)	-
Net cash flows used in financing activities	43,803,144	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>27,635,003</b>	<b>(38,283,159)</b>
Cash and cash equivalents at beginning of the period/year	17,764,151	74,353,850
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR</b>	<b>45,399,154</b>	<b>36,070,691</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

**30 June 2008**

## **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 2008. 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 financial statements.

The Interim Condensed Financial Statements of the Company for the six months ended 30 June 2008 were authorised for issue in accordance with a resolution of directors on 25 September 2008.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed 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 for the year ended 31 December 2007. 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 2007.

## **3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The valuations of financial assets at fair value through profit or loss are based on information known to the directors and market conditions existing at the balance sheet date. Financial assets at fair value through profit or loss comprise the following:

	<b>30 June 2008 USD</b>	<b>31 December 2007 USD</b>
<b>Listed investments</b>		
Investments, at cost	167,959,705	162,939,948
Unrealised gains	<u>50,775,787</u>	<u>499,080,102</u>
At fair value	218,735,492	662,020,050
<b>Unlisted investments</b>		
Investments, at cost	166,250,392	158,965,083
Unrealised gains	<u>23,580,485</u>	<u>96,205,172</u>
At fair value	189,830,877	255,170,255
<b>Total financial assets at fair value through profit or loss</b>	<b>408,566,369</b>	<b>917,190,305</b>

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

30 June 2008

## 3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

### Listed investments

As at 30 June 2008, the Company held the following listed investments:

	Industry	Fair Value USD	% of NAV
<b>LISTED BONDS</b>			
CII - Bond 8% 15/09/2009	Transportation	890,630	0.20
<b>TOTAL</b>		<b>890,630</b>	<b>0.20</b>
<b>OVERSEAS LISTED EQUITIES</b>			
Asian Mineral	Materials/Resources	8,896,353	2.05
Olympus Pacific	Materials/Resources	4,689,362	1.08
Vedan	Food/Beverage	1,525,343	0.35
<b>TOTAL</b>		<b>15,111,058</b>	<b>3.48</b>
<b>VIETNAM LISTED EQUITIES</b>			
ACB <b>TT</b>	Banks	46,078,500	10.61
Vinamilk <b>TT</b>	Food/Beverage	37,060,916	8.53
Sacombank <b>TT</b>	Banks	35,134,117	8.09
REE <b>TT</b>	Real Estate	16,166,209	3.72
Sacom Cable <b>TT</b>	Technology Hardware	11,605,375	2.67
VF1 <b>TT</b>	Diversified Financials	11,516,447	2.65
Gemadept	Transportation	9,384,541	2.16
CII	Transportation	8,484,513	1.95
Concrete 620	Materials/Resources	6,897,256	1.59
VinhSon-SongHinh	Utilities	4,843,346	1.11
Thu Duc House	Real Estate	4,325,329	1.00
Bao Viet Securities <b>+</b>	Diversified Financials	2,585,062	0.59
Saigon Tel	Real Estate	2,493,172	0.57
PV Drilling <b>New</b>	Energy	2,215,994	0.51
Thang Long Cable	Technology Hardware	1,603,135	0.37
Binh Minh Plastics	Materials/Resources	1,047,941	0.24
Pha Lai Power	Utilities	417,256	0.10
Savimex	Consumer Durables	323,751	0.07
Halong Canning	Food/Beverage	283,755	0.07
FPT <b>New</b>	Retailing	267,189	0.06
<b>TOTAL</b>		<b>202,733,804</b>	<b>46.66</b>

**TT** Top Ten Holding

**+** Additional position acquired during 1H08

**New** New holding in 1H08

	Industry	Fair Value USD	% of NAV
<b>VIETNAM OVER-THE-COUNTER EQUITIES</b>			
VP Bank	Banks	11,356,050	2.61
Vinaconex	Real Estate	4,408,621	1.02
Phuong Nam Bank	Banks	3,694,571	0.85
Sabeco New	Food/Beverage	2,182,045	0.50
<b>TOTAL</b>		<b>21,641,287</b>	<b>4.98</b>
<b>OVERSEAS UNLISTED EQUITIES</b>			
VRICLTBR <b>TT</b>	Materials/Resources	94,542,427	21.76
VIFS	Diversified Financials	1,792,450	0.41
<b>TOTAL</b>		<b>96,334,877</b>	<b>22.17</b>
<b>PRIVATE EQUITIES</b>			
Danao <b>TT</b>	Consumer Services	23,010,750	5.30
VF2	Diversified Financials	8,682,921	2.00
Global Cybersoft	Software & Services	3,090,899	0.72
Pacific Ocean	Transportation	2,740,391	0.63
PDD	Real Estate	929,615	0.21
Glass Egg	Software & Services	-	-
<b>TOTAL</b>		<b>38,454,576</b>	<b>8.86</b>
<b>LOANS</b>			
Danao - Loan 8.5% due 02/08/2009 +	Consumer Services	1,850,556	0.43
Danao - Loan 8.5% due 27/06/2010 +	Consumer Services	900,000	0.21
Glass Egg - Promissory notes 9% 31/12/2008	Software & Services	-	-
<b>TOTAL</b>		<b>2,750,556</b>	<b>0.64</b>
<b>UNLISTED BONDS</b>			
Agri-Bond 10.2% 10/10/2021 <b>TT</b>	Banks	13,878,993	3.19
ACB Conv Bond <b>TT</b>	Banks	12,557,788	2.89
<b>TOTAL</b>		<b>26,436,781</b>	<b>6.08</b>
<b>REVERSE REPURCHASE AGREEMENT</b>			
Ho Chi Minh City Investment Fund for Urban Development HIFUGB 9 27/09/14 <b>New</b>	Diversified Financials	1,187,507	0.27
Vietnam Development Bank VDBG 8.4 23/01/12 <b>New</b>	Banks	1,748,723	0.40
Vietnam Development Bank VDBG 9.18 30/06/18 <b>New</b>	Banks	1,276,570	0.30
<b>TOTAL</b>		<b>4,212,800</b>	<b>0.97</b>
<b>TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>408,566,369</b>	<b>94.04</b>

**TT** Top Ten Holding

**+** Additional position acquired during 1H08

**New** New holding in 1H08

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

## 4. TRANSACTIONS WITH RELATED PARTIES

The investment manager, Dragon Capital 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.

Dominic Scriven and John Shrimpton are also directors of the Vietnam Growth Fund ("VGF") and Vietnam Dragon Fund Limited ("VDF") and have indirect interests in the share capital of VGF and VDF as they are also shareholders of Dragon Capital, which indirectly holds the management shares of VGF and VDF. The Company, VGF and VDF are managed by investment managers controlled by the same ultimate parent company, Dragon Capital Group Limited. 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 USD250,000,000. On May 22, 2008, VRI made an all cash offer to acquire all of the issued and outstanding common shares of Keeper on a fully diluted basis at a price of CAD1.50 per share by way of a take-over bid. The price offer represents a premium of approximately 58% to the closing price of Keeper shares on the last trading date (November 7, 2007) on which Keeper shares traded on TSX Venture Exchange ("TSXV") prior to the public announcement that Keeper had been approached by a third party with respect to a possible acquisition transaction, and approximately a 24% premium to the volume weighted average closing price of the Keeper shares on the TSXV for the 20-day period ended April 4, 2008, the date that Keeper announced VRI's intention to make the Offer. Accordingly, on May 22, 2008 VEIL accepted the cash offer from VRI to sell all of its holding of 2,400,000 Keeper shares with amount of CAD3,600,000 (equivalent to USD3,648,712)

On 26 February 2008, after a considerable process involving the commissioning of two independent valuations from leading international real estate valuers, the independent directors of the Company approved the sale of the entire issued and outstanding share capital UD Holdings Limited, which held a 70% interest in Hanoi Lake View to Dragon Capital Property Limited (the "Purchaser"), an affiliate company of the Investment Manager, for the sum of USD8,750,000 (the "Purchase Price"). This price reflected a premium to the mid-price valuation of the two independent valuations and a premium to the carrying value of the holding for the Company as at the end of 2007 of USD8,700,000 (2006: USD7,850,000). The Purchase Price was paid by the Investment Manager on behalf of the Purchaser by reducing the incentive fee payable to the Investment Manager by an amount equivalent to the Purchase Price.

## 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 as at 30 June 2008 of USD434,476,430 (31 December 2007: USD901,231,015) and 173,823,000 (31 December 2007: 158,021,000) redeemable shares in issue as at that date.

## 6. BASIC LOSS PER REDEEMABLE SHARE

The calculation of basic loss per redeemable share for the period is based on the net loss for the period attributable to the redeemable shares of USD510,557,729 and the weighted average of 159,062,890 redeemable shares in issue during the period, as adjusted to reflect the issue of redeemable shares during the period.

## 7. SHARE CAPITAL

	30 June 2008 USD	31 December 2007 USD
Authorised:		
500,000,000 (2007: 500,000,000) redeemable shares of USD0.01 each	5,000,000	5,000,000
300,000,000 (2007: 300,000,000) conversion shares of USD0.01 each	3,000,000	3,000,000
1,000 (2007: 1000) management shares of USD0.01 each	<u>10</u>	<u>10</u>
	<b>8,000,010</b>	<b>8,000,010</b>
Issued and fully paid:		
173,823,000 (2007: 158,021,000) redeemable shares of USD0.01 each	1,738,230	1,580,210
1,000 (2007: 1,000) management shares of USD0.01 each	<u>10</u>	<u>10</u>
	<b>1,738,240</b>	<b>1,580,220</b>

## 8. POST BALANCE SHEET EVENT

There was no post balance sheet event as of the date of this report.



## ADMINISTRATION

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

### The Company

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British West Indies

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### Listing Sponsor

McCann FitzGerald Listing Services Limited  
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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, Dragon Capital has been Carbon Neutral since 2005, and currently supports the Kotmar Waste Heat Recovery Project in India. This energy efficiency project captures waste heat at a steel plant and uses it to produce electricity which is subsequently fed into the local grid. The project has generated emission reductions of 74,263 tCO<sub>2</sub> equivalent between 2004 and 2007, verified and certified to the Voluntary Carbon Standard. We look forward to supporting future renewable energy projects within Vietnam as they arise.

**CERTIFIED  
CARBON  
NEUTRAL®**

Company

*John Marks*

CarbonNeutral.com

CO<sub>2</sub> emissions reduced to  
net zero in accordance with  
The CarbonNeutral Protocol

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