



VIETNAM ENTERPRISE  
INVESTMENTS LIMITED  
INTERIM REPORT

# 2009





# DRAGON CAPITAL

## 15 years in Vietnam

In 2009, Dragon Capital celebrates 15 years of growth. Formed at the time of the Mexican 'Tequila Crisis', and being the only Vietnam-dedicated fund manager to survive the Asian Crisis, we are no stranger to adversity and challenge.

At our formation, Vietnam's GDP per capita was US\$227, and a stockmarket was six years in the future. GDP per capita has now breached US\$1,000, ports and airports teem with evidence of the country's role in international trade and investment, and Vietnam is now a recognised global citizen. Dragon Capital was established to be part of this growth. Our mission has always been to seek out investment strategies that provide long term returns, exceeding the national growth rate; and to do so with high regard for sustainable alignment of the interests of the country, and of our investors.

From an initial base of US\$16m and eight staff, at the end of June 2009 Dragon Capital managed US\$1.6bn with a headcount in excess of 100. We have offices in Ho Chi Minh City, Hanoi (regulated by Vietnam's SEC), and in the United Kingdom (regulated by the FSA). Foreign and Vietnamese professionals cover all significant markets and sectors (public and private equity, fixed income, resources, property, renewables, and infrastructure); and all required skill sets (client service, economics, investment modeling, origination, legal, mid-office, valuation and governance). The Company is owned 85% by management and staff, with the balance held by the World Bank's IFC, and the French Government's development finance entity, Proparco.

Analysis and thought, engagement and commitment, integrity, execution and performance remain the core standards by which Dragon Capital judges itself. We have invested in nearly 100 companies, most of which were self-originated, and retain seats on 25 boards. We have become a leading governance proponent, are a trusted government partner in capital market development, and retain strong institutional links at all levels of government. Partly as a result of this, in 2003, Dragon Capital was entrusted with Vietnam's first domestic asset management licence, in partnership with domestic giant, Sacombank.

In keeping with our founding principles, Dragon Capital's view of the future remains based on our fundamental values, and geared towards playing a continued role in the development of a great nation. The very foundation of this vision rests firmly on continuing to provide service and value to our clients and we thank you deeply for your support, patience and perseverance.



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# NAME ABBREVIATIONS

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

<b>FULL NAME BY SECTOR</b>	<b>SHORT NAME</b>
<b>BANKS</b>	
Asia Commercial Joint Stock Bank	ACB
Asia Commercial Joint Stock Bank - Convertible Bond	ACB - Conv Bond
Saigon Thuong Tin Commercial Joint Stock Bank	Sacombank
Vietnam Commercial Joint Stock Bank for Private Enterprises	VP Bank
<b>CAPITAL GOODS</b>	
Hoa Phat Group Joint Stock Company	Hoa Phat Group
<b>CONSUMER SERVICES</b>	
Danao Limited	Danao
Danao Limited - Loan 8.5% 02/08/2009	Danao - Loan 8.5% 02/08/2009
Danao Limited - Loan 8.5% 27/06/2010	Danao - Loan 8.5% 27/06/2010
<b>DIVERSIFIED FINANCIALS</b>	
Vietnam Investment Fund Singapore Limited	VIFS
Vietnam Securities Investment Fund - VF1	VFMVF1
Vietnam Securities Investment Fund - VF2	VFMVF2
<b>ENERGY</b>	
PetroVietnam Drilling and Well Services Joint Stock Company	PV Drilling
Pacific Ocean Shipping Joint Venture Company	Pacific Ocean
<b>FOOD/BEVERAGE</b>	
Saigon Beer Alcohol and Beverage Company	Sabeco
Vedan International (Holdings) Limited	Vedan
Vietnam Dairy Products Joint Stock Company	Vinamilk
<b>MATERIALS/RESOURCES</b>	
Asian Mineral Resources Limited	Asian Minerals
Olympus Pacific Minerals Incorporated	Olympus Pacific
PetroVietnam Fertilizer & Chemical Joint Stock Company	Phu My Fertilizer
Vietnam Resource Investments Cayman Limited (Tiberon Investment)	VRICL/Tiberon
<b>REAL ESTATE</b>	
Project Design and Development Joint Venture Company Limited	PDD
Refrigeration Electrical Engineering Corporation	REE
Hoang Anh Gia Lai Joint Stock Company	Hoang Anh Gia Lai
Vietnam Construction and Import-Export Corporation	Vinaconex
<b>SOFTWARE/SERVICES</b>	
Corporation for Financing and Promoting Technology	FPT
Glass Egg Digital Media Limited	Glass Egg
Glass Egg Digital Media Limited - Promissory notes 9% 31/12/2008	Glass Egg - Promissory notes 9% 31/12/2008
Global Cybersoft Incorporation	Global Cybersoft
<b>TRANSPORTATION</b>	
General Forwarding and Agency Corporation	Gemadep
HCMC Infrastructure Investment Joint Stock Company	CII
HCMC Infrastructure Investment Joint Stock Company - Convertible 8% 15/09/09	CII - Bond 8% 15/09/2009
<b>UTILITIES</b>	
Pha Lai Thermo Power Joint Stock Company	Pha Lai Power
Vinh Son-Song Hinh Hydropower Joint Stock Company	Vinh Son-Song Hinh
<b>OTHERS</b>	
Socialist Republic of Vietnam Bond 6 7/8 01/15/16	VGB INT 6 7/8 01/15/16

# ADMINISTRATION

The shares of Vietnam Enterprise Investments Limited (VEIL or the Company), are listed on the Irish Stock Exchange. Price updates are available on Bloomberg (VIETENI KY EQUITY) and Reuters (DRAGON1).

## THE COMPANY

**Vietnam Enterprise Investments Limited**  
Grand Pavilion Commercial Centre, PO Box 2003  
802 West Bay Road  
Grand Cayman, KY1-1104 Cayman Islands  
British West Indies

## ADMINISTRATOR, REGISTRAR AND SECRETARY

**Fortis Prime Fund Solutions (Cayman) Limited**  
Grand Pavilion Commercial Centre, PO Box 2003  
802 West Bay Road  
Grand Cayman, KY1-1104 Cayman Islands  
British West Indies

## CUSTODIAN

**Fortis Prime Fund Solutions Bank (Ireland) Limited**  
Fortis House  
Park Lane  
Spencer Dock  
Dublin 1, Ireland

## LEGAL ADVISER TO THE COMPANY

(as to Vietnamese law)

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

## DEALING ENQUIRIES

**Dragon Capital Markets Limited**  
Tel: +84 8 3823 9355  
Fax: +84 8 3823 9366  
Email: [dealing@dragoncapital.com](mailto:dealing@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 3823 9355 Fax: + 84 8 3823 9366

## SUB-ADMINISTRATOR AND ASSISTANT SECRETARY

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

## SUB CUSTODIAN

**HSBC Bank (Vietnam) Limited**  
The Metropolitan  
235 Dong Khoi, 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

**KPMG Limited**  
10/F Sun Wah Tower  
115 Nguyen Hue, District 1  
Ho Chi Minh City, Vietnam

## LISTING SPONSOR

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



# BOARD OF DIRECTORS



## **RICHARD MCKEGNEY**

(BORN 1945, APPOINTED TO THE BOARD 1995)

**CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR**

Richard McKegney is a graduate of the University of Puget Sound in Washington State and the American Graduate School in Arizona. Mr. McKegney began his career with American Express Bank and has held numerous positions throughout Asia. He is currently the head of the Asia Pacific region for the National Bank of Kuwait, based in Singapore, where he has responsibility for the Asia Pacific region including the bank's representative offices in Ho Chi Minh City, Vietnam, and Shanghai, China. Mr. McKegney 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. He resides in Singapore.

## **WOLFGANG BERTELSMEIER**

(BORN 1947, APPOINTED TO THE BOARD 2009)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Wolfgang Bertelsmeier holds a Masters Degree in Business Administration, Economics and Banking from the University of Frankfurt. He also studied at the Université de Poitiers, France where he received a "Diplôme d'Etudes Francaises". Mr. Bertelsmeier started his career at Deutsche Bank in Frankfurt before joining Deutsche Entwicklungs Gesellschaft (DEG) then moving to the World Bank in 1976 where he held a number of positions in the Industry and Energy Departments. Mr. Bertelsmeier joined IFC in 1990 where he has held various positions. From 2004 until his retirement from IFC in July 2007, he was the Special Representative Europe in charge of the IFC offices in Paris, London, Brussels and Frankfurt. He was also involved in IFC's activities in Southeast Asia, including projects in Vietnam, as Principal Investment Officer for the Agribusiness Department at IFC's headquarters in Washington D.C., and was the first Resident Representative for Vietnam in September 1997. He resides in Washington D.C.



## **HARTMUT GIESECKE**

(BORN 1937, APPOINTED TO THE BOARD 2006)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

Hartmut Giesecke has a Masters of Economics degree from Freiburg University, Germany and an MBA from Columbia University Graduate School of Business. Mr. Giesecke joined the Capital Group organisation in Geneva, Switzerland and then moved to Los Angeles to work for Capital Research Company as an analyst covering non-U.S. markets and later as an international portfolio manager. In 1982 he moved to Japan where he headed Capital's Japanese business, starting as Representative and Director of Capital Research Company and then as General Manager and President of Capital International K.K. In the fall of 1992, he transferred to Singapore to assume responsibility as Managing Director, Asia Pacific of Capital Group International, Inc., the holding company of Capital's global institutional investment business. He retired from active portfolio management in July 2005 but continues to serve as a senior consultant to Capital International, Inc. in Singapore. He resides in Germany.

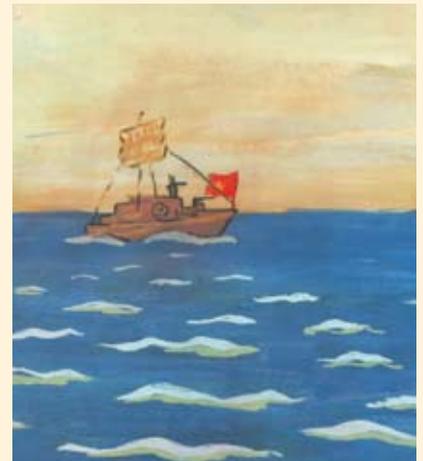


**DOMINIC SCRIVEN O.B.E.**  
(BORN 1963, APPOINTED TO THE BOARD 1995)  
NON-EXECUTIVE DIRECTOR

Dominic Scriven graduated in 1985 from Exeter University with a combined honours degree in law and sociology and was awarded an O.B.E. in 2006. In 1985 he started working with M&G Investment Management London before moving to Hong Kong to work for Sun Hung Kai and Co in 1986, and then Citicorp Investment Bank. In 1991 he moved to Vietnam, spending two years enrolled at Hanoi University, before, in 1994, co-founding Dragon Capital Group. A Vietnamese speaker, Mr. Scriven sits on the boards of numerous Vietnamese and non-Vietnamese companies, including five companies listed on the Vietnam Stock Exchange. He resides in Ho Chi Minh City, Vietnam.

**JOHN SHRIMPTON**  
(BORN 1962, APPOINTED TO THE BOARD 1997)  
NON-EXECUTIVE DIRECTOR

John Shrimpton graduated from Newcastle University in 1984 with an honours degree in law. After working as a financial advisor in London and, from 1986, in Asia, he worked from 1988 as one of the first institutional salesmen specialising in the Asian emerging markets at W.I. Carr (Far East) in Hong Kong. In 1991, he moved to Bangkok, Thailand and joined Dynamic Eastern Finance Thailand, a securities and finance company listed on the Stock Exchange of Thailand, as institutional sales director. In 1994, he returned to Hong Kong where he worked as a Thai specialist institutional salesman at HSBC James Capel Asia. Having co-founded Dragon Capital Group in 1994, he moved to Ho Chi Minh City in November 1996 to work full time with the Group. In addition to serving on the boards of all the publicly listed equity funds managed by Dragon Capital and a number of their investee companies, Mr. Shrimpton has been active in the origination of investment opportunities for investment management clients of Dragon Capital. He resides in Ho Chi Minh City, Vietnam.



# SUMMARY OF KEY FINANCIAL INFORMATION

## PERFORMANCE

VN INDEX

**448.29**

NAV PER SHARE

**US\$2.83**

SHARE PRICE

**US\$2.05**

	30 June 2009	31 December 2008	% Change
Total Net Assets	US\$492,662,147	US\$365,009,819	34.97%
Number of Outstanding Shares	173,823,000	173,823,000	-
Net Asset Value per Share	US\$2.83	US\$2.10	34.76%
Share Price (mid-price)	US\$2.05	US\$1.63	25.77%
(Discount)/Premium	(27.56)%	(22.38)%	23.15%
US\$/VND exchange rate	17,801	17,485	(1.78)%
VN Index	448.29	315.62	42.03%

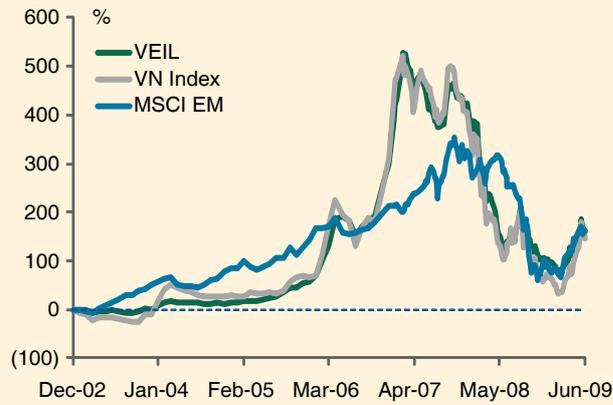
Period's high and low	Six months period ended 30 June 2009		Year ended 31 December 2008	
	High	Low	High	Low
Net Asset Value per Share	US\$3.12	US\$1.94	US\$5.34	US\$2.10
Share Price (Mid-Price)	US\$2.05	US\$1.15	US\$5.35	US\$1.63

Source of income (US\$)	Six months to	Six months to	% change
	30 June 2009	30 June 2008	
Dividend income	5,118,530	5,317,568	(3.74)%
Interest income	1,022,964	372,470	174.64%
Other income	325,469	1,094	29650.37%
<b>Total</b>	<b>6,466,963</b>	<b>5,691,132</b>	<b>13.63%</b>

1H09 was a game of two halves in terms of market performance - a weak 1Q followed by a strong 2Q. 2009 kicked off with Vietnam outperforming global markets but suffering from lack of follow through foreign buying. Domestic traders' sentiment followed suit and turned quickly to focus on alternative investments, especially gold bullion. The index fell to a low of 235.5 on 24 Feb, 2009. Despite economic concerns over GDP downgrades and the Government's ability to fund the fiscal deficit, the market then rallied 117.6% to a peak of 512.5 on 9 June, 2009. This was mainly fuelled by speculative domestic retail buying, and foreign investors remained cautious due to escalating valuations. Overall we feel the market outperformance in 1H09 stemmed principally from domestic sentiment focusing on buying hi-beta stocks, whereas we have not felt comfortable (often for governance reasons) with full weightings. While investors may find this troubling in the near term, we believe our core mandate is long term capital growth and maintain our holdings in blue chip large capital stocks.

VEIL underperformed the market but delivered a solid return of +35%. Sector wise, our banking stocks, having accounted for 37% by end of 2008, performed very well and attributed a 25.2% return which lifted its overall NAV composition to 41% as at 30 June 2009. Private equities were less impressive, creating a disappointing drag on overall portfolio performance. Having allocated cash for promising pipeline deals set for the next period, we also took advantage of the strong period rally to try and streamline the portfolio for enhance future growth. Whilst the macro picture establishes itself in coming months, we will continue to restructure the portfolio to meet our goal of long term recovery. This will be achieved through divestment of our bond and private equity holdings, to be replaced by listed and pre-listed blue chips, with financial, real estate, and domestic consumption marked as key sectors.

### NAV PERFORMANCE



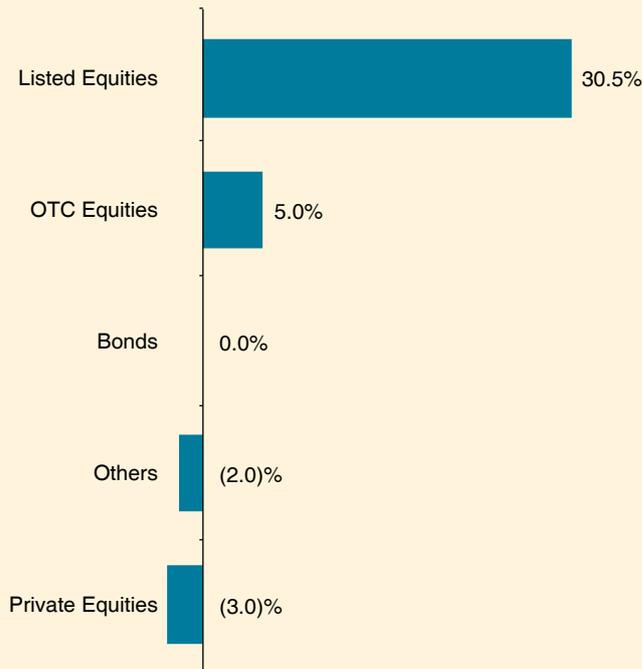
Source: Dragon Capital

### PREMIUM/DISCOUNT OF PRICE TO NAV



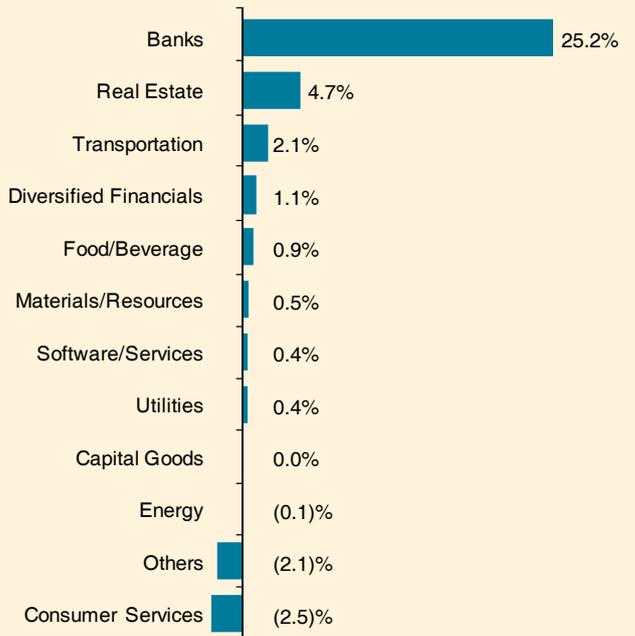
Source: Dragon Capital

### YTD ATTRIBUTION BY ASSET CLASS



Source: Dragon Capital

### YTD ATTRIBUTION BY SECTOR



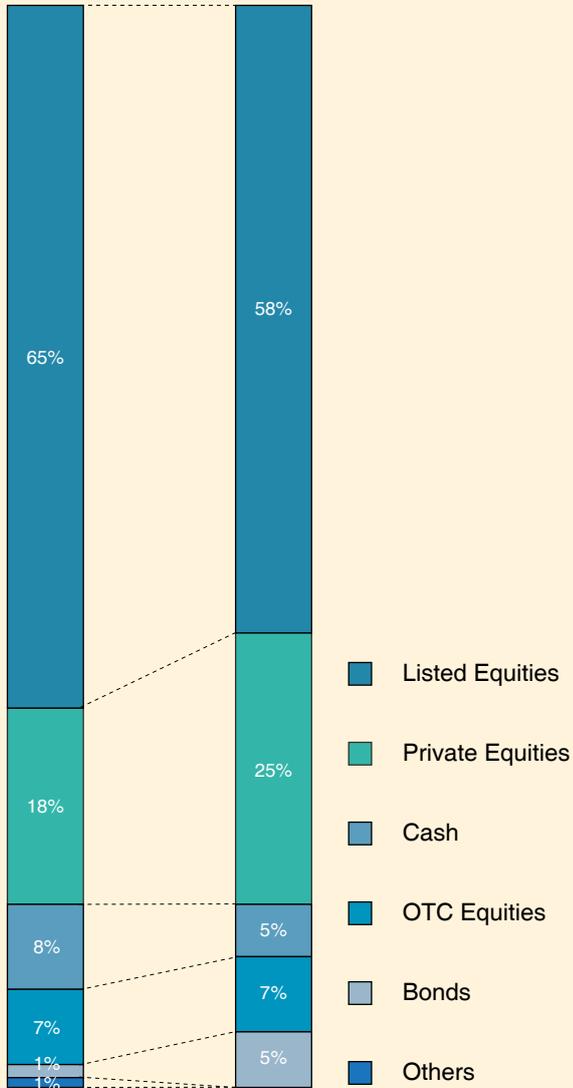
Source: Dragon Capital

# PORTFOLIO LISTING BY ASSET CLASS AND SECTOR

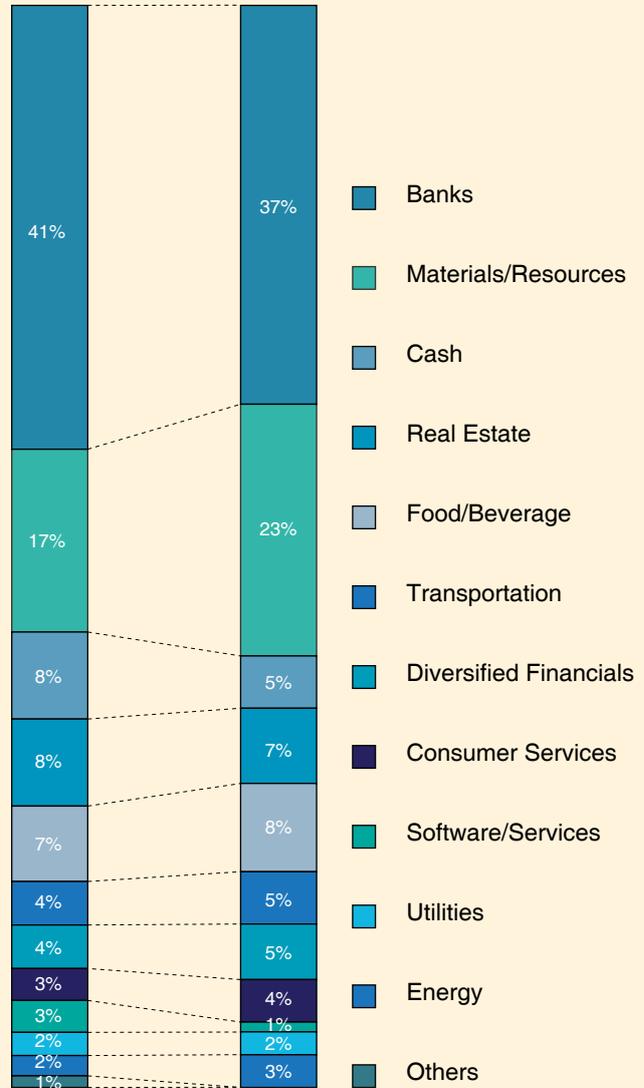
VEIL BY ASSET CLASS

VEIL BY SECTOR

30 June 2009      31 December 2008



30 June 2009      31 December 2008



# TOP 5 HOLDINGS & PERFORMANCE

## TOP 5 HOLDINGS

Investment	Sector	Fair Value US\$	% NAV
ACB	Banks	107,194,072	21.76%
VRICL/Tiberon	Materials/Resources	67,361,480	13.67%
Sacombank	Banks	60,919,659	12.37%
REE	Real Estate	30,473,892	6.19%
Vinamilk	Food/Beverage	30,433,182	6.18%
<b>Total</b>		<b>296,382,285</b>	<b>60.17%</b>

## TOP 5 PERFORMERS

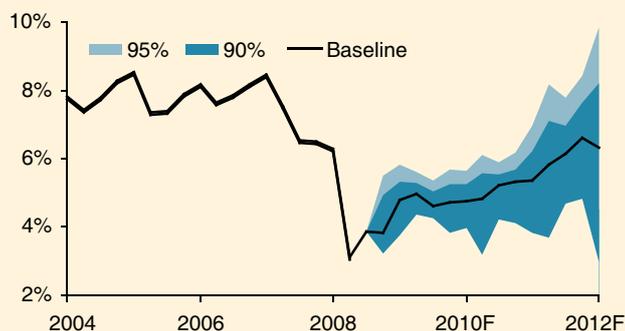
Investment	Sector	YTD Return	% NAV
Olympus Pacific	Materials/Resources	306.67%	1.02%
ACB - Conv Bond	Banks	137.41%	3.91%
CII - Bond 8% 15/09/2009	Transportation	100.58%	0.35%
REE	Real Estate	94.23%	6.19%
VP Bank	Banks	89.23%	2.96%

## BOTTOM 5 PERFORMERS

Investment	Sector	YTD Return	% NAV
Danao	Consumer Services	(42.60)%	2.68%
Saigon Tel	Real Estate	(33.25)%	-
Agribank Bond	Banks	(21.69)%	-
Binh Minh Plastics	Material/Resources	(17.09)%	-
Concrete 620	Material/Resources	(15.13)%	-



# VIETNAM'S ECONOMY



Source: Dragon Capital, General Statistics Office (GSO)

## REAL GDP GROWTH

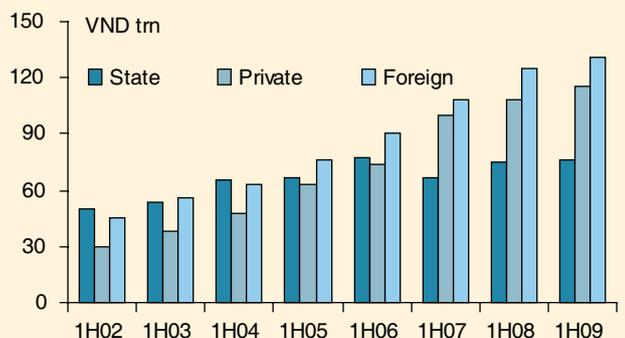
In Q2, Vietnam posted GDP growth of 3.8% slightly better than the 3.1% in Q1. Notable performance came from agriculture and construction. The former recovered from a dismal Q1 performance to rise 2.2%, led by rice, where last year's stockpiles continue to be absorbed by unusually high exports. As for construction, after contracting during last year's loan freeze, the sector saw real growth of 10% for the period, on the State credit-subsidy program and falling material costs. The results indicate a bottom, with a strong upward bias in growth going forward.



Source: Bloomberg

## RETAIL SALES

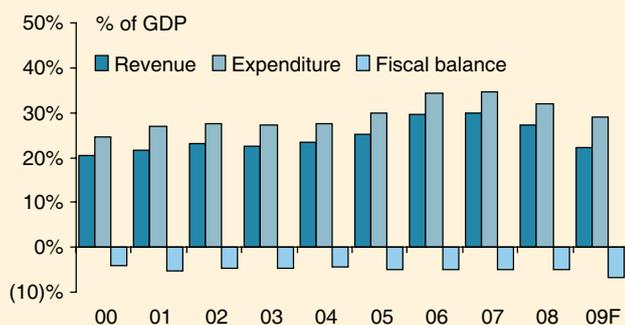
Retail sales in 1H09 increased by 15.8% relative to 1H08 (or 22.4% in VND terms). If the effect of inflation is removed, retail sales rose 8.8% in 1H09, compared with 8% in 1H08.



Source: Bloomberg, GSO

## INDUSTRIAL PRODUCTION

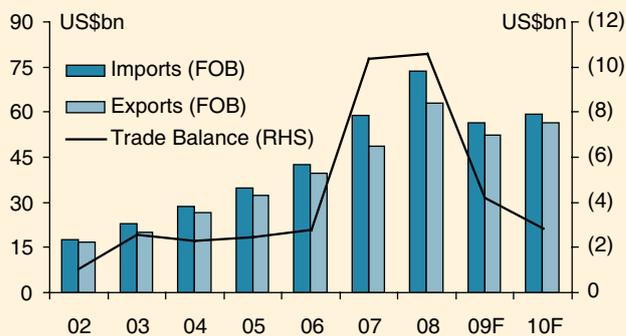
Industrial production in 1H09 increased by 4.8% relative to 1H08. The private sector posted the strongest growth at 7.6%, while foreign sector saw growth of 4.5% and the State sector was flat at +1.5%.



Source: Dragon Capital

## FISCAL STANCE

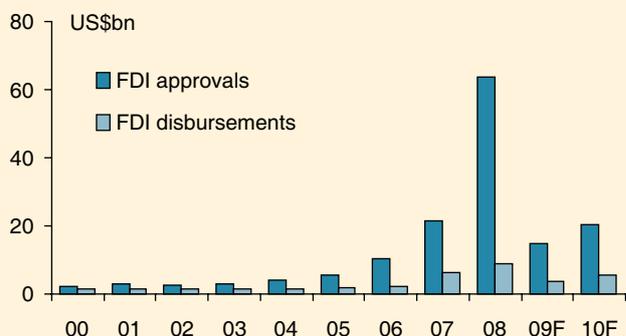
In an effort to spur the economy by fiscal easing, the Government allowed the 2009 budget deficit to widen from 5% to 7% of GDP. However financing remains a question given world capital markets and concerns on revenues. Better oil price and Official Development Assistance are helping, but bonds continue to fail at auctions due to very low ceiling interest rates.



Source: Dragon Capital, GSO

### TRANSITION IN THE TRADE ACCOUNT

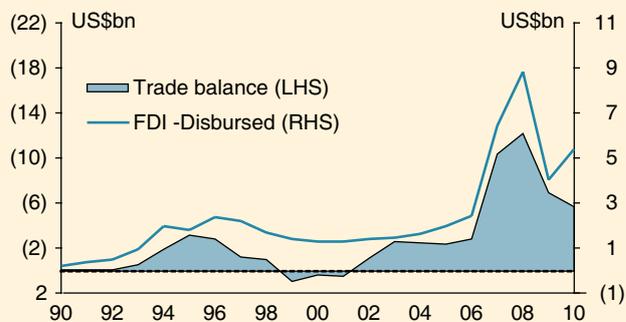
1H09 exports fell by 10% relative to 1H08, or by 18.6% excluding gold and rice, that appear to be front loaded in Q1. Imports fell hard at 34.1% for 1H08. However, the trade deficit remains a concern and is anticipated to hit around US\$5bn for the full year.



Source: GSO

### FOREIGN DIRECT INVESTMENT

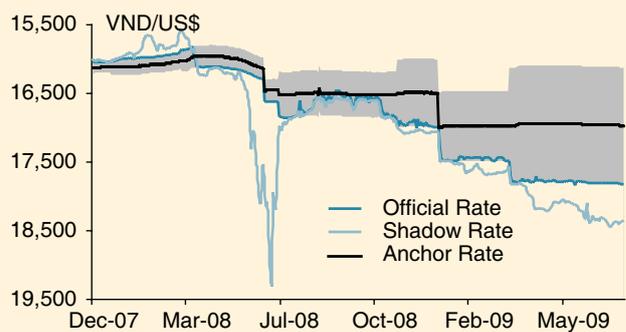
After skyrocketing in 2008, FDI pledges fell to US\$9bn in 1H09 and disbursements have withered to pre-2007 levels. Furthermore, we anticipate 2008 pledged amount to be revised downwards as large capital intensive projects prove unfeasible in light of the global recession.



Source: Dragon Capital

### FDI AND THE TRADE DEFICIT

Although the correlation between FDI and the trade deficit has remained strong in recent years, we anticipate a break in 2010 from a moderated rebound in export demand coupled with a recovery in foreign investment.



Source: Dragon Capital, State Bank of Vietnam (SBV)

### EXCHANGE RATE

Since the beginning of 2009, VND has been suffering from continued depreciation pressure. Interbank exchange rates have remained outside the legal trading limits throughout the year. The interbank exchange market has already showed a 5% depreciation of VND against US\$ this year. Slowing exports, weak FDI disbursements and dollar hoarding will continue to put pressure on the VND in coming months.

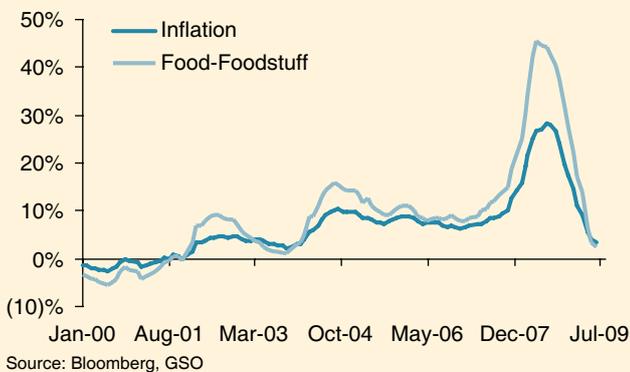
# VIETNAM'S ECONOMY

CONTINUED



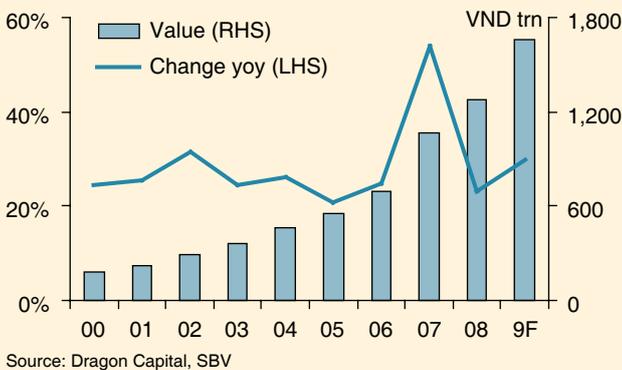
## FOREIGN EXCHANGE RESERVES

After peaking near US\$26bn, Forex reserves have declined with slowing foreign inflows, persistent trade deficits, and policies in defense of the currency. Current levels are estimated around US\$19bn which provides roughly four months of imports. The reserves are significant enough to support the currency for now, but longer-term the Government will need to consider the feasibility of their currency regime.



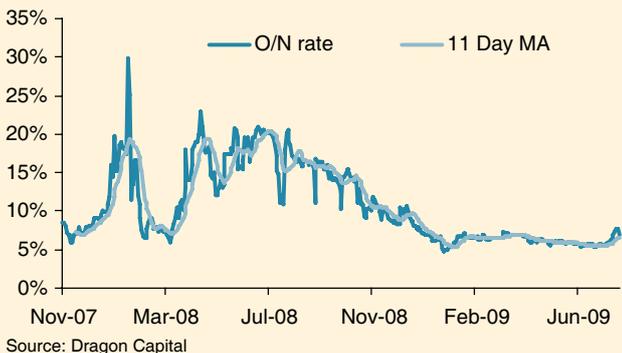
## INFLATION

In July 2009, inflation in Vietnam slowed for the eleventh consecutive month to 3.3% y-o-y, the lowest pace since January 2004. We hold our 6.7% CPI forecast unless the VND should deteriorate or we see a spike in commodities. If the inflation outlook for 2010 does pick up, we expect some pre-emptive tightening by the State Bank over the next six months.



## CREDIT GROWTH

The Government steered the bulk of the economic stimulus program through a 4% interest subsidy program, which resulted in over 17% loan growth in 1H09. However, inflation concerns lead the State Bank to cap credit expansion at 25-30% for the state-owned commercial banks. It is uncertain if additional measures will be taken to slow credit growth at the joint stock banks at this time.



## INTERBANK MARKET

Interbank rates have been uncharacteristically stable for the past six months, around 6% for the overnight rate. Ample liquidity calmed nerves as banks extended loans from overnight, to 3 months. With rates now believed to have bottomed, the question remains when rates will be hiked and how it will be managed.

# VIETNAM'S STOCK MARKET

## MARKET VALUATION AS AT 30 JUNE 2009

VN Index 448.29	2007	2008	2009F	2010F
P/E (x)	12.8	18.6	15.0	13.9
EPS Growth (%)	52.8	-35.4	29.2	7.4
PEG (x)	0.2	neg	0.5	1.9
Sales Growth (%)	39.2	27.6	6.8	18.9
EBIT Growth (%)	55.7	23.5	15.0	20.5
PBT Growth (%)	93.0	-16.3	45.8	10.6
NPAT Growth (%)	95.0	-19.0	36.9	8.8

## VN INDEX PERFORMANCE

VNI Index	448.29
% MoM	7.90
% YTD	42.03
% YoY	12.24

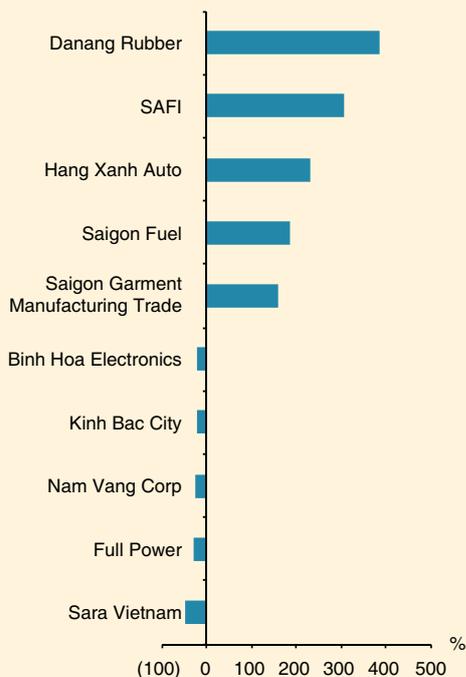
## BENCHMARK COMPARISON



## VN INDEX TO 30 JUNE 2009



## TOP 5 +/- STOCK PERFORMANCE 1H09



## TOP 10 TRADING TURNOVER 1H09



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009 (UNAUDITED)

	Note	30 June 2009 US\$	31 December 2008 US\$	Change in %
<b>CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss	4	453,169,136	348,820,482	
Amounts due from brokers		4,497,456	22,090	
Receivables		701,814	400,824	
Cash and cash equivalents		40,645,991	16,517,685	
		<b>499,014,397</b>	<b>365,761,081</b>	
<b>CURRENT LIABILITIES</b>				
Accounts payable and accruals		6,352,250	751,262	
		<b>492,662,147</b>	<b>365,009,819</b>	<b>34.97%</b>
<b>EQUITY</b>				
Issued capital	5	1,738,240	1,738,240	
Share premium		356,666,449	356,666,449	
Retained earnings		134,257,458	6,605,130	
		<b>492,662,147</b>	<b>365,009,819</b>	
<b>NUMBER OF REDEEMABLE SHARES IN ISSUE</b>	<b>6</b>	<b>173,823,000</b>	<b>173,823,000</b>	
<b>NET ASSET VALUE PER REDEEMABLE SHARE</b>	<b>6</b>	<b>2.83</b>	<b>2.10</b>	<b>34.95%</b>



DOMINIC SCRIVEN O.B.E.  
DIRECTOR



JOHN SHRIMPTON  
DIRECTOR

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

	Note	For the six months ended 30 June 2009 US\$	For the six months ended 30 June 2008 US\$	Change in %
<b>INCOME</b>				
Interest income		1,022,964	372,470	
Dividend income		5,118,530	5,317,568	
Other income		325,469	1,094	
Net changes in fair value of financial assets at fair value through profit or loss		134,967,117	(520,929,002)	
(Loss)/gain on disposals of investments		(8,925,504)	12,608,867	
<b>TOTAL INCOME/(LOSS)</b>		<b>132,508,576</b>	<b>(502,629,003)</b>	<b>126.36%</b>
<b>EXPENSES</b>				
Administration fee		(199,948)	(313,391)	
Custodian fee		(59,985)	(94,018)	
Directors' fees		(26,376)	(31,250)	
Incentive fee	8	-	-	
Interest expense		-	(94,448)	
Legal and professional fees		(49,770)	(192,026)	
Management fee	8	(3,998,979)	(6,224,316)	
Other operating expenses		(142,493)	(605,396)	
<b>TOTAL EXPENSES</b>		<b>(4,477,551)</b>	<b>(7,554,845)</b>	<b>40.73%</b>
<b>PROFIT/(LOSS) BEFORE EXCHANGE GAINS</b>		<b>128,031,025</b>	<b>(510,183,848)</b>	
<b>EXCHANGE LOSSES</b>				
Net foreign exchange losses		(378,697)	(373,881)	
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>127,652,328</b>	<b>(510,557,729)</b>	
Income tax		-	-	
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>127,652,328</b>	<b>(510,557,729)</b>	<b>125.00%</b>
Other comprehensive income for the period		-	-	
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>127,652,328</b>	<b>(510,557,729)</b>	
Profit/(loss) attributable to redeemable shareholders of the Company		127,652,328	(510,557,729)	
Total comprehensive income/(loss) attributable to redeemable shareholders of the Company		127,652,328	(510,557,729)	
<b>BASIC EARNINGS/(LOSSES) PER REDEEMABLE SHARE</b>	<b>7</b>	<b>0.73</b>	<b>(3.21)</b>	<b>122.74%</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

	Issued capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
<b>At 1 January 2009</b>	<b>1,738,240</b>	<b>356,666,449</b>	<b>6,605,130</b>	<b>365,009,819</b>
Transactions with shareholders directly recorded in equity	-	-	-	-
Total comprehensive income for the period	-	-	127,652,328	127,652,328
<b>At 30 June 2009</b>	<b>1,738,240</b>	<b>356,666,449</b>	<b>134,257,458</b>	<b>492,662,147</b>
<b>At 1 January 2008</b>	<b>1,580,220</b>	<b>313,021,325</b>	<b>586,629,480</b>	<b>901,231,025</b>
Transactions with shareholders directly recorded in equity	158,020	43,645,124	-	43,803,144
Total comprehensive loss for the period	-	-	(510,557,729)	(510,557,729)
<b>At 30 June 2008</b>	<b>1,738,240</b>	<b>356,666,449</b>	<b>76,071,751</b>	<b>434,476,440</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

	For the six months ended 30 June 2009	For the six months ended 30 June 2008
	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) for the period	127,652,328	(510,557,729)
Adjustments for:		
Dividend income	(5,118,530)	(5,317,568)
Interest income	(1,022,964)	(372,470)
Interest expense	-	94,448
Other interest income from investments	(325,469)	-
Gains/(losses) on disposals of investments	8,925,504	(12,608,867)
Net changes in fair value of financial assets at fair value through profit or loss	(134,967,117)	520,929,002
	<b>(4,856,248)</b>	<b>(7,833,184)</b>
Change in receivables	(4,530,395)	(4,976,248)
Change in accounts payable and accruals	5,600,988	(9,535,822)
	<b>(3,785,655)</b>	<b>(22,345,254)</b>
Proceeds from disposals of investments	49,476,347	20,746,150
Acquisitions of financial assets at fair value through profit or loss	(27,783,392)	(20,442,349)
Dividend received	4,764,726	5,356,370
Interest received	1,130,811	647,813
Other interest income from investments received	325,469	-
Interest paid	-	(130,871)
<b>Net cash generated from/(used in) operating activities</b>	<b>24,128,306</b>	<b>(16,168,141)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from redeemable shares issued	-	44,245,600
Payments for redeemable share issuance costs	-	(442,456)
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>43,803,144</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>24,128,306</b>	<b>27,635,003</b>
Cash and cash equivalents at the beginning of the period	16,517,685	17,764,151
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>40,645,991</b>	<b>45,399,154</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

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

## 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. 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 31 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 31 December in the second year following the date of such annual general meeting.

As at 30 June 2009, the Group had no employees (31 December 2008: no employees). The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2009 comprise the Company and its subsidiaries.

As at 30 June 2009 the Company had the following investments in subsidiaries and jointly controlled entity, for the purpose of investment holding:

<b>Subsidiaries and jointly controlled entity</b>	<b>Country of incorporation</b>	<b>Principal activities</b>	<b>% ownership</b>
Grinling International Limited	British Virgin Islands	Investment holding	100%
Wareham Group Limited	British Virgin Islands	Investment holding	100%
Goldchurch Limited	British Virgin Islands	Investment holding	100%
VEIL Holdings Limited	British Virgin Islands	Investment holding	100%
Venner Group Limited	British Virgin Islands	Investment holding	100%
Dragon Financial Holdings Limited	British Virgin Islands	Investment holding	90%
Rickmansworth Limited	British Virgin Islands	Investment holding	100%
Geffen Limited	British Virgin Islands	Investment holding	100%
VEIL Cement Limited	British Virgin Islands	Investment holding	100%
VEIL Estates Limited	British Virgin Islands	Investment holding	100%
VEIL Industries Limited	British Virgin Islands	Investment holding	100%
VEIL Infrastructure Limited	British Virgin Islands	Investment holding	100%
VEIL Paper Limited	British Virgin Islands	Investment holding	100%
Aralax Investments Limited	British Virgin Islands	Investment holding	100%

## 2. BASIS OF PREPARATION

### Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group as at and for the year ended 31 December 2008.

### Estimates and judgments

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the sources of estimation were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2008.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its annual consolidated financial statements as at and for the year ended 31 December 2008.

### Preparation of financial statements

The Group applies revised IAS1, *Presentation of financial statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these condensed consolidated interim financial statements as of and for the six months ended 30 June 2009.

Comparative information, if applicable, has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per redeemable share.

### Financial risk management

The Group’s financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2008.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

## 4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2009	31 December 2008
	US\$	US\$
<b>Listed investments:</b>		
Investments, at cost	170,542,024	173,760,138
Unrealised gains	152,136,107	37,624,558
<b>At fair value</b>	<b>322,678,131</b>	<b>211,384,696</b>
<b>Unlisted investments:</b>		
Investments, at cost	136,258,711	161,541,077
Unrealised losses	(5,767,706)	(24,105,291)
<b>At fair value</b>	<b>130,491,005</b>	<b>137,435,786</b>
<b>Total investments at fair value</b>	<b>453,169,136</b>	<b>348,820,482</b>

As at 30 June 2009, the Group held the following listed and unlisted investments:

	Sector	Fair value US\$	% NAV
<b>Bonds</b>			
VGB INT 6 7/8 01/15/16	Others	3,003,000	0.61%
CII - Bond 8% 15/09/2009	Transportation	1,727,431	0.35%
		4,730,431	0.96%
<b>Listed Equities</b>			
ACB	Banks	107,194,072	21.76%
Sacombank	Banks	60,919,659	12.37%
REE	Real Estate	30,473,892	6.19%
Vinamilk	Food/Beverage	30,433,182	6.18%
VFMVF1	Diversified Financials	11,469,957	2.33%
PV Drilling	Energy	10,543,843	2.14%
CII	Transportation	10,424,101	2.12%
Vinh Son-Song Hinh	Utilities	10,073,813	2.04%
Phu My Fertilizer	Materials/Resources	9,333,407	1.89%
FPT	Software/Services	9,321,294	1.89%
Hoang Anh Gia Lai	Real Estate	6,304,124	1.28%
Gemadept	Transportation	5,632,049	1.14%
Olympus Pacific	Materials/Resources	5,039,582	1.02%
Hoa Phat Group	Capital Goods	3,296,909	0.67%
Vinaconex	Real Estate	2,909,949	0.59%
Pha Lai Power	Utilities	2,539,852	0.52%
VIFS	Diversified Financials	1,798,720	0.37%
Vedan	Food/Beverage	1,434,168	0.29%
Asian Minerals	Materials/Resources	603,847	0.12%
		319,746,420	64.91%

### OTC Equities

ACB - Conv Bond	Banks	19,271,241	3.91%
VP Bank	Banks	14,570,375	2.96%
VFMVF2	Diversified Financials	7,444,935	1.51%
Sabeco	Food/Beverage	2,211,954	0.45%
Pacific Ocean	Energy	505,590	0.10%
		44,004,095	8.93%

### Private Equities

VRICL/Tiberon	Materials/Resources	67,361,480	13.67%
Danao	Consumer Services	13,208,488	2.68%
PDD	Real Estate	1,060,000	0.22%
Glass Egg	Software/Services	0	0.00%
Global Cybersoft	Software/Services	0	0.00%
		81,629,968	16.57%

### Loans

Danao - Loan 8.5% 02/08/2009	Consumer Services	2,158,222	0.44%
Danao - Loan 8.5% 27/06/2010	Consumer Services	900,000	0.18%
Glass Egg - Promissory notes 9% 31/12/2008	Software/Services	0	0.00%
		3,058,222	0.62%

<b>TOTAL</b>		<b>453,169,136</b>	<b>91.99%</b>
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## 5. ISSUED CAPITAL

	30 June 2009	31 December 2008
	US\$	US\$
Authorised:		
500,000,000 redeemable shares at par value of US\$0.01 each ("Redeemable shares")	5,000,000	5,000,000
300,000,000 conversion shares at par value of US\$0.01 each ("C shares")	3,000,000	3,000,000
1,000 management shares at par value of US\$0.01 each ("Management shares")	10	10
	8,000,010	8,000,010
Issued and fully paid:		
173,823,000 (2007: 158,021,000) redeemable shares at par value of US\$0.01 each	1,738,230	1,738,230
1,000 management shares at par value of US\$0.01 each	10	10
	1,738,240	1,738,240

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONTINUED

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (UNAUDITED)

## 6. NET ASSET VALUE PER REDEEMABLE SHARE

The calculation of the net asset value ("NAV") per redeemable share is based on the net assets attributable to the redeemable shares of the Group as at 30 June 2009 of US\$492,662,147 (31 December 2008: US\$365,009,819) and the number of redeemable shares in issue as at that date of 173,823,000 shares (31 December 2008: 173,823,000 shares).

## 7. BASIC EARNINGS/(LOSSES) PER REDEEMABLE SHARE

The calculation of basic earnings/(losses) per redeemable share for the period is based on the net profit for the period attributable to the redeemable shares of the Group of US\$127,652,328 (period ended 30 June 2008: loss of US\$510,557,729) and the weighted average number of 173,823,000 redeemable shares in issue during the period (period ended 30 June 2008: 159,062,890 shares).

## 8. TRANSACTIONS WITH RELATED PARTIES

Enterprise Investment Management Limited (the "Investment Manager"), is responsible for identifying, making and monitoring investments on behalf of the Group. Dominic Scriven and John Shrimpton, Directors of the Company, are also the 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.

As at 30 June 2009, Dragon Capital Markets Limited beneficially held 275,662 redeemable shares in the Company for proprietary trading purposes.

Richard McKegney is a director of NIG Asian Investments Ltd., a wholly-owned investment vehicle of the National Bank of Kuwait, which is a beneficial shareholder of the Company, holding 1,026,770 redeemable shares as at 30 June 2009.

During the period, the Directors, with the exception of Dominic Scriven and John Shrimpton, earned US\$26,376 (for the period ended 30 June 2008: US\$57,500) for their participation on the Board of Directors of the Company.

### Management fee

The Investment Manager is entitled to receive a management fee at 2% per annum of the NAV, payable monthly in arrears on the first business day of such month and calculated by reference to the NAV at the end of the preceding month. During the period total management fees amounted to US\$3,998,979 (for the period ended 30 June 2008: US\$6,224,316). As at 30 June 2009, a management fee of US\$741,736 (as at 30 June 2008: US\$673,449) was payable to the Investment Manager.

## Incentive fee

The Investment Manager, under certain circumstances, is entitled to an incentive fee, payable in arrears within 14 days after the Board has approved the annual audited consolidated financial statements of the Group in respect of the relevant accounting period. The incentive fee is calculated at a rate of 20% of the relevant amount against which the incentive fee will be calculated ("N"), provided that N is a positive figure and that the value of O in the calculation exceeds the highest value of O by reference to the incentive fee paid in any previous year:

$$N = O - P,$$

where:

N is the relevant amount against which the incentive fee will be calculated;

O is the NAV of all the Redeemable shares of the Group on the last valuation day in that accounting period plus the NAV of all distributions made in respect of all the redeemable shares of the Group in all prior years by way of dividend, or return of capital, or otherwise; and

P is an amount equal to the amount of capital raised by the issue of the redeemable shares of the Group, exclusive of placing fees, compounded at the rate of 8% per annum with effect from the date of issue of those redeemable shares until the last valuation day in that accounting period.

In order for the incentive fee to be payable in respect of the period ended 30 June 2009, the NAV of the redeemable shares of the Group needed to exceed US\$1,020,636,903 (30 June 2008: US\$1,018,999,670). As at 30 June 2009, the NAV per redeemable share of the Group was US\$2.834 (as at 30 June 2008: US\$2.50).

No incentive fee was incurred during the period ended 30 June 2009 (the period ended 30 June 2008: Nil).

## 9. SUBSEQUENT EVENTS

In relation to the Company's investment in VRICL/Tiberon, on 22 August 2009 the Vietnamese Prime Minister visited the Nui Phao project site and media reported that its investment and mining licences would be revoked due to delays in the project implementation among other reasons. It subsequently became clear that a peremptory revocation was not likely unless material regulatory non-compliance is determined. Nui Phao itself is not aware of any such regulatory non-compliance which would justify this and as at the date of this report, it had received no official communication to this effect. In consequence, the assumption of the Nui Phao management is that, until notified otherwise, it will continue to manage and develop the project, including seeking to conclude its debt project finance.

## 10. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 28 September 2009.





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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 74,263t CO<sub>2</sub> equivalent between 2004 and 2008, verified and certified to the Voluntary Carbon Standard. We look forward to supporting future renewable energy projects within Vietnam as they arise.

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CARBON  
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Support

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

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