VIETNAM ENTERPRISE INVESTMENTS LIMITED

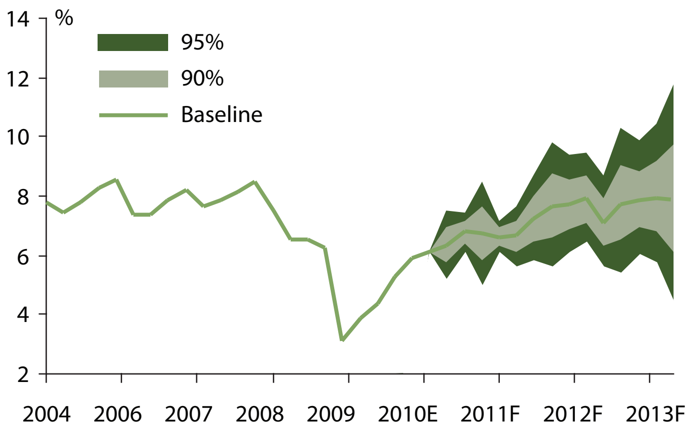
Interim Report 2010

DRAGON CAPITAL

Investment Manager's Report

The Economy

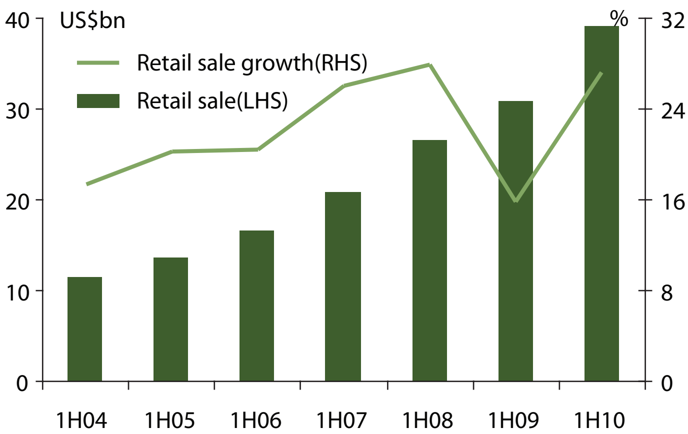
Real GDP growth



Source: Dragon Capital, General Statistics Office

Last year's massive stimulus package motivated strong growth in the first half of the year, with real GDP expanding by 6.2%. The services sector maintained steady growth at 7.1% yoy, adding 2.9% growth of GDP. A strong recovery in manufacturing accelerated expansion of the industry and construction sectors to 6.5%. The Government set a target growth level of 6.5% for the year which looks achievable if not beatable.

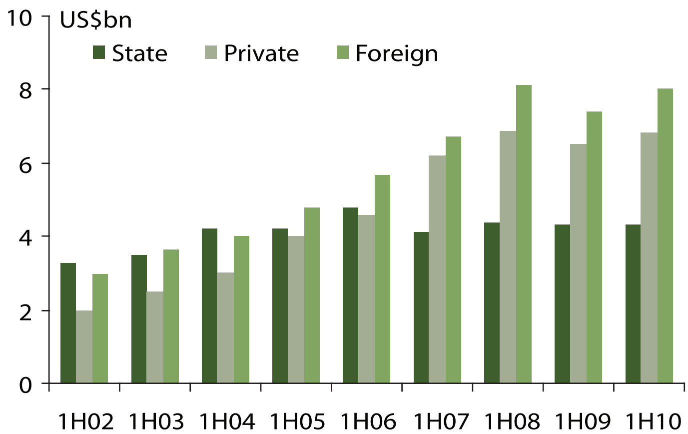
Retail sales



Source: Bloomberg

The first half saw a strong 27% increase in nominal terms, or 16% in real terms. Consumption is expected to remain strong in the second half given the current growth and wage outlook for manufacturing and farming.

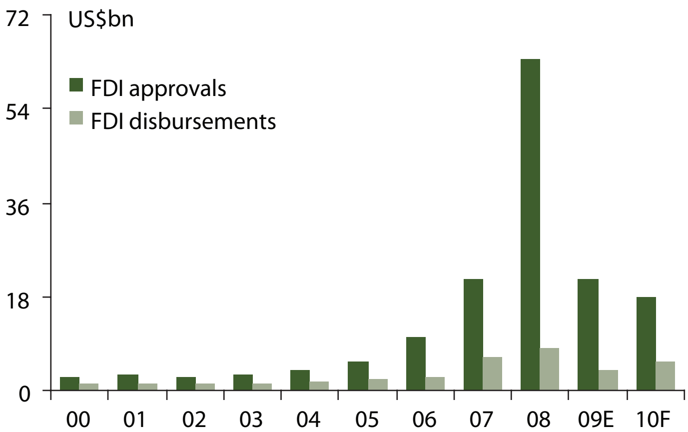
Industrial production



Source: Bloomberg

Industrial production posted strong growth of 13.6% in the first half. The foreign sector saw the largest expansion by 17%, while the private sector grew by 12.6%. The State sector continues to remain flat. Oil production was a major drag on growth showing a 16.2% drop in output, but some new fields are coming into production and we expect some improvement going forward.

Foreign direct investment

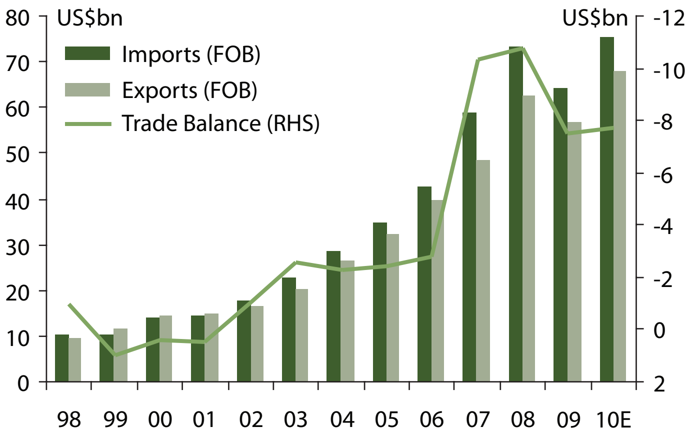


Source: Dragon Capital, Bloomberg, International Financial Statistics ("IFS")

Full year disbursed FDI numbers for 2009 have not been released yet, but we continue to estimate a sharp drop to below US$4bn. For 2010, we believe that there has been some pick-up, in particular in the manufacturing sector, and expect disbursed FDI to be near US$5.6bn. Accounting for actual foreign investment flows has been extremely difficult due to foreign companies drawing off domestic credit markets. So readers should be aware our estimates are significantly lower than other numbers in circulation.

The Economy (Continued)

Trade balance



Source: Dragon Capital, IFS

Exports expanded by 17% in 1H10 versus 1H09, led by a 28% expansion in manufactured goods while commodities lagged with only +3% due to a decline in oil. Imports increased at a faster pace at 27%. Key export inputs, such as cotton, yarn, and leather, grew at a phenomenal rate of 134%, 85% and 33% respectively suggesting that most of Vietnam's core manufactured exports will accelerate in the second half. This still points to a US$7.7bn trade deficit, a large but financeable figure.

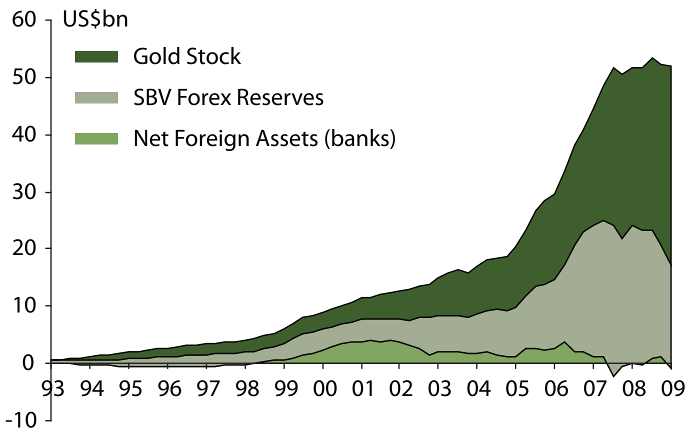
Balance of payments

(US$bn)	2006	2007	2008	2009	2010E
Trade Account	-2.8	-10.4	-12.8	-7.5	-7.7
Current Account	-0.2	-7.0	-10.7	-5.8	-3.2
Capital Account	3.1	17.4	12.3	3.7	9.0
Errors & Ommissions	1.5	-0.2	-1.2	-6.2	-3.2
Change in Reserves	4.3	10.2	0.4	-8.3	2.6
Reserve	**13.4**	**23.6**	**24.0**	**15.8**	**18.4**
Months of Imports	3.8	4.8	3.8	2.9	3.0
Debt/GDP - %	33.1	30.2	28.2	30.1	29.4

Source: Dragon Capital, IFS

Vietnam has diversified external financing streams consisting of family-to-family remittances, foreign investment, and official development assistance (ODA). We expect these flows to support the balance of payments leading most probably to a slight surplus, implying an increase in FX reserves for the year. The major question on the balance of payments is errors and omissions which spiked in 2009. Even aggressively estimating errors and omissions at US$3.2bn for 2010, we still project a mild increase in FX reserves.

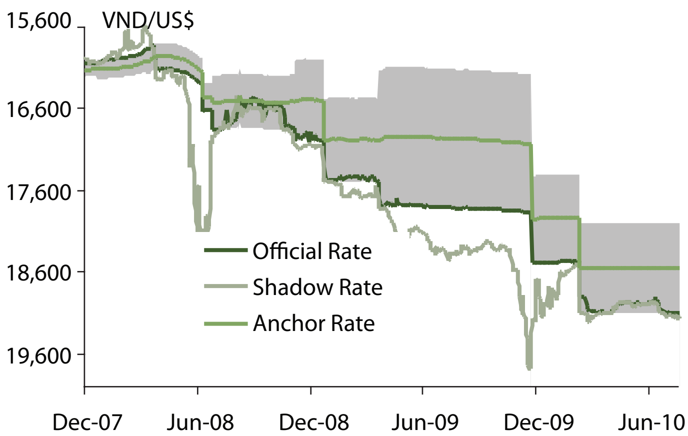
Onshore foreign assets



Source: Dragon Capital, IFS, World Gold Council Data

Official FX reserves have halved since the 2008 peak leading to concerns regarding the trade deficit's sustainability. However, one of the more dynamic aspects of Vietnam is the sizable holdings of gold and dollars outside the banking system, with the gold stock estimated near US$34bn (at current prices). While the banking system remains largely FX neutral, we estimate domestic private and official foreign currency savings available to finance investments and imports at US$50bn.

Exchange rate



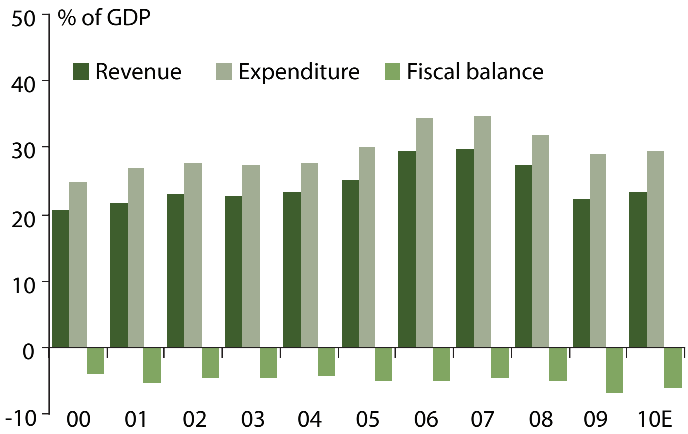
Source: Dragon Capital, State Bank of Vietnam ("SBV")

After the surprise 3% devaluation in February, the VND/US$ exchange rate has been stable near a 19,000 level trading within the official ±3% band. Strong portfolio flows, increased direct investments, and the dollar short in the credit market have all contributed to stronger liquidity and a reported increase in FX reserves. We continue to anticipate some 3-5% downside risk to the currency before the end of the year, but onshore FX, both in the official FX reserves and private savings, are capable of supporting the market.

Investment Manager's Report (Continued)

The Economy (Continued)

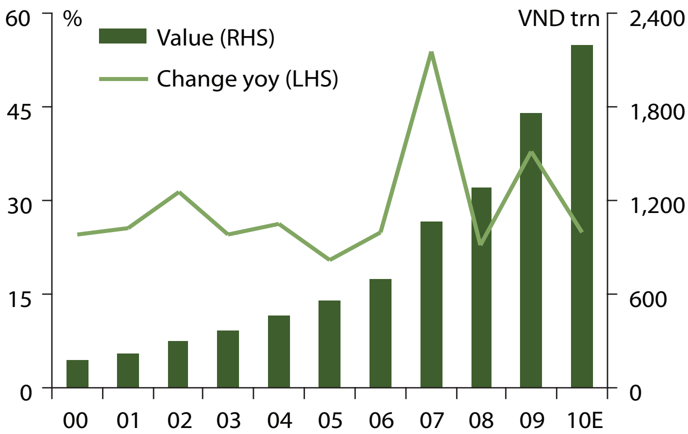
Fiscal stance



Source: Dragon Capital, Ministry of Finance

After the budget deficit surged to 6.9% in 2009 as a result of the big stimulus package, the Government plans a mild cut in the budget deficit to 6.2%. The first half fiscal revenues were better than expected reaching 51% of plan, owing to growth in trade revenues and increased tax collection. Total expenditure was only 45% of plan.

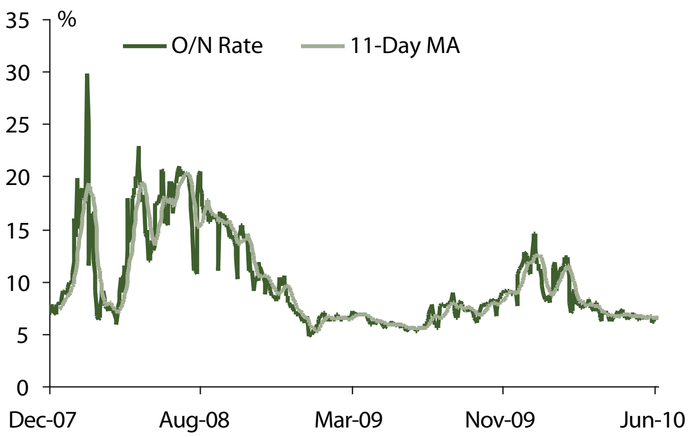
Credit growth



Source: Dragon Capital, SBV

Credit grew 10.5% in 1H10, led by a 25% increase in US$ borrowings. Dollar loan rates were 7-8% lower than for VND, causing a bump in foreign currency debt. The trend has peaked and is already reversing. Winding up dollar borrowings could create some mild turbulence in the FX due to Vietnam's thin markets, but given the banks strong foreign asset position, we don't expect anything too dramatic. The Government has targeted an ambitious 25% credit growth for the year, which most likely requires a drop in interest rates.

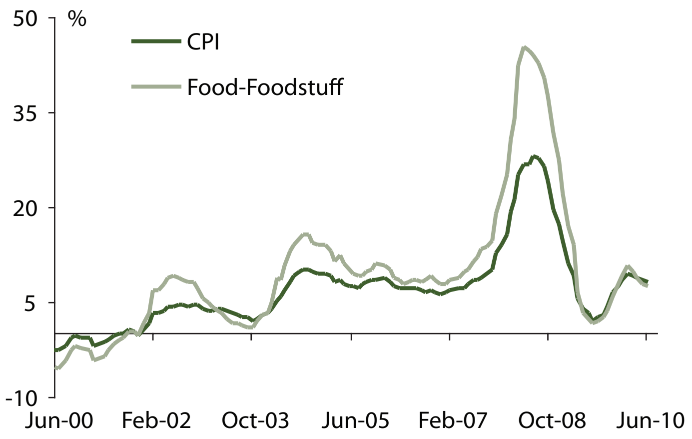
Interbank market



Source: Dragon Capital

The year began with some interbank volatility caused by the normal Tet liquidity crunch and banks rebalancing following last year's credit stimulus. Since the end of the Tet holiday, the wholesale loan market has been remarkably stable with rates between 7-8% and on good daily volumes. Most of this can be attributed to the State Bank of Vietnam ("SBV")'s more aggressive OMO policy and some public comments to shift from a base rate to a targeted market rate.

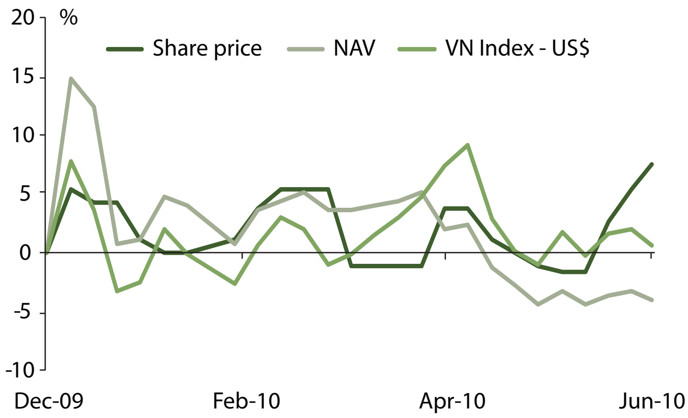
Inflation



Source: Bloomberg

Tagged by many as the year's biggest concern, inflation has dodged most estimates (including our own) with the CPI staying under 10% and trending downward in the second quarter. The CPI peaked at 9.5% in March sliding to 8.7% in June. With global commodity prices showing some stability and given the benign onshore credit growth, we expect inflation to end the year at 7.8%, a slightly lower level than the Government's 8% target.

Fund performance



Source: Dragon Capital

The VN Index edged up marginally and finished just above the 500 level, at 507.14 or a 0.7% gain in US$ terms. Meanwhile the Fund reduced by 4.0% during the first half of 2010. This underperformance was partially caused by SBV's surprise currency devaluation in February and partially by listed equities that trailed the benchmark with some double-digit losses coming from significant positions. However, OTC stocks compensated in part for these losses and contributed gains to the performance as sales and purchases were completed at very competitive prices.

Sector return and contribution

Sector	Portfolio return (%)	VN Index return (%)	Portfolio contribution (%)
Banks	-12.92	-17.68	-4.35
Real Estate	0.66	2.83	0.05
Food/Beverage	16.21	8.03	2.00
Materials/Resources	-2.08	-2.79	-0.37
Funds	1.98	-	0.08
Software/Services	6.29	12.82	0.24
Diversified Financials	3.56	5.13	0.04
Energy	-24.66	-23.00	-0.90
Utilities	-17.63	-10.40	-0.31
Transportation	-26.17	-7.02	-0.24
Consumer Durables	0.24	-0.10	-0.01

Attribution analysis

Financial stocks dropped sharply as discouraging interest rate data and economic reports had investors questioning the strength of the recovery. Both ACB and Sacombank ended down double digits in the first half of the year after earnings reports showed interest income growth in low digits. VP Bank's sales reduced the decline in this sector as the holding was sold at a significant premium to its carrying value. The bank was acquired in 1996 and a partial exit occurred in 2007. The remaining stake was sold in March at a valuation of 2.5x book versus the peer group average of 1.2x. Overall, the investment achieved a return of 176% and an IRR of 22%. Weakening market liquidity and sentiment shook off previous gains for brokerage holdings, reducing the Fund's NAV by 13bps. Conversely, the recent announcement of a definitive agreement related to Nui Phao offered a nice jump in Masan shares.

Materials/Resources stocks were the second laggards due to disappointing earnings reports. Power outages painted a murkier picture for the steel sector, prompting more caution despite the recovery in output prices. Additionally, Phu My Fertilizer due to its unpopularity with retail investors slashed another 0.2% of the Fund's return.

Energy, lead by PV Drilling, joined the descending fray owing to low earnings results. The key reason was bad weather which caused disruption to the rig fleet in providing drilling services. Uncertainty about the power price took out investors' interest in the sector, leading to a weak performance of Utilities stocks.

A mixed picture was seen across listed Real Estate stocks. After performing robustly in 2H09 Real Estate stocks slowed down in 1H10, contributing a flat return to the Fund as profit taking increased and news on lending rates disappointed investors. Impairments were made to some private holdings end of April amid concerns on low earnings and increasing discount rates. However, the Fund's substantial exposure to Hoang Anh Gia Lai, the only Real Estate stock in the Fund's portfolio generating a positive return, capped the downside in this sector.

The Food/Beverage sector was in the spot-light and climbed broadly, outperforming the benchmark with some of the optimism drawn from earnings reports and robust future prospects. Vinamilk's performance was sparked by its enormous earnings growth in the first quarter, speculation of a sale of its coffee plant and suggestions of possible M&A activity to come. The stock contributed 2% to the Fund's return during the period.

Software/Services surged, boosted by its key player FPT, adding a 0.2% gain to the Fund. In 1H10, the company's performance was spectacular, marked by significant contracts signed as well as robust financial earnings. Over the first six months, the company reported an increase in revenue and NPAT of 21% and 50% respectively.

Investment Manager's Report (Continued)

Top 5 Holdings

ACB

	Market valuation	% of net assets	Initial acquisition date
	US$76,669,494	18.75%	1 December 1996

Despite a turbulent market and fierce competition during the past few years, ACB still remains Vietnam's number one private bank. In FY2010 we expect ACB to revert back to its traditional business and income stream, that being, credit activities. With its gold floor removed, gold margin trading prohibited, a quiet interbank and sluggish stock markets, all of ACB's golden gooses have evaporated. This year the bank is determined to focus on traditional businesses by strengthening loan growth and improving net interest margin ("NIM"). NIMs at ACB are low compared with its peers since it operates with a safe lending policy and conservative clientele. Moves are afoot to 'extend' its risk appetite, mainly to expand outstanding loans to SME and individual customers who can tolerate a higher interest rate. Accelerating small loan screening, promoting uncollateralised lending and internet banking are measures being undertaken by the bank in order to achieve its 2010 growth target.

1H10 results have been good with a NPAT increase of 33%. This growth mostly came from interest profit. Total asset growth has not been as spectacular as in previous years coming in at +4% for 1H10. The main reason for the slow asset growth was the settlement of payables previously owed to gold trading accounts. Total funds mobilised at ACB still dominate the market primarily due to interbank deposits. SBV has recently been pumping liquidity into the market in the hope of leveling off interest rates. ACB, with its healthy interbank capacity, has managed to attract a large amount of funds at a good rate. This in turn has helped to lower its interest expense and widen its NIM. Customer deposit growth outpaced the sector average of 10.8% at 13%. This growth came in the form of savings deposits, which are stable as term deposits. Loan growth also did better than the sector average of 10.5% at 16% for the 1H10. Loan growth was concentrated in US$ and gold denominated instruments due to lower effective lending rates than VND denominated loans.

For the first time in 2 years, ACB's 1H10 profit was derived predominantly from interest income and we expect this is a trend that will continue through the rest of the year. Interest income grew a whopping 40% yoy while non-interest income dropped 17%. Non-interest income was disappointing due a number of factors, primarily closure of its gold floor. Performance from ACB's subsidiaries was sluggish and disappointing. The only area that showed some growth yoy was income from investments in other entities, stemming from 2009 dividends from ACB's subsidiaries. However, bottom line profit growth was maintained through loan growth and NIM expansion, a story echoed throughout the industry.

The outlook for 2H10 is more optimistic as interest margins are on the rise and as SBV is trying to promote credit growth for the whole sector. However, 2H10 is expected to present some challenges for management since the 1H10 result was lower than expected and its non-interest business is contracting. With the implementation of Decree 13, which monitors stricter industry safety measurement, growth must also be monitored closely. The good news is management believes they can achieve their original FY target. We believe they can still have room for improvement if they focus their efforts correctly. Attention has been placed solely on core operations like margin and credit growth while others like services and subsidiaries profitability seem to have been neglected. A well-rounded growth strategy, especially to develop its subsidiaries (like Sacombank with Sacombank Securities and Military Bank with ThangLong Securities) will help diversify profit streams and comprehensively replace gold activities. NPAT of VND1,600bn is 44% of its consolidated full year target of VND3,600bn which would be a 27% increase yoy and we feel that this is achievable for the FY2010.

ACB
ASIA COMMERCIAL BANK

Vinamilk

Market valuation	% of net assets	Initial acquisition date
US$55,595,500	13.59%	22 October 2003

Vinamilk is the leading producer of dairy products in Vietnam based on sales volume (49% market share) and growth (+36% yoy). Their products vary from core dairy products such as liquid and powdered milk, to condensed milk, drinking and spoon yoghurt, ice cream and cheese.

In 1H10, Vinamilk achieved a very admirable result with sales +52.6% at VND7,236.9bn, EBIT +74.1% and NPAT +67.4% at VND1,748.6bn. The key driver for this robust growth was a sales restructuring programme which started 3Q09 and continues being implemented.

Basically, the programme that Vinamilk has implemented comprises two major activities. The first is tighter control of their distributors to ensure they always have sufficient Vinamilk products to sell to consumers. Previously some distributors stocked up on products, such as beer and confectionery, during periods of high demand such as Tet and there was therefore less room for Vinamilk products in their warehouse. The second is expansion of their distribution network into rural areas. Vinamilk used to be weak in this area compared with its main rival, Dutch Lady. Consequently, at the end of June 2010, Vinamilk's market share in liquid milk increased to 53.4%, +12% compared with end of 2009 and much higher than Dutch Lady's market share of 35%. Besides, the number of outlets increased from 135,000 in 2009 to 148,000 in 1H10.

However, the increase in raw material prices caused a drop in gross margin from 35.3% last year to 34.6% this year. Fortunately, thanks to excellent sales growth and cost control, the increase in SGA over sales was lower than last year. Thus, EBIT margin was much higher than last year at 24.5% in 1H10 versus 21.5% in 1H09

In 2010 Vinamilk budgeted VND1,723bn for its capex expansion programme. This was part of a three year plan that the company set to build a new dairy factory to increase its capacity. However, as of 1H10, the company only funded 24% of the build because of changes in the factory's design. Therefore, most of its free cash of nearly VND3,000bn was put on deposit and generated interest income to the tune of VND214bn as at 30 June 2010. The interest expense was reduced significantly by 74% compared with 2009 because there were no financial provisions any longer. Thanks to the increase in this income, PBT was up 78.2% yoy.

In 1H10, Vinamilk announced that it sold its coffee factory to Trung Nguyen, one of the biggest coffee producers in Vietnam. However, since the legal process had not been completed, the details of the transaction were not disclosed. Thus, the profit from selling the coffee factory was not booked in 1H10.

For 2H10, we expect that the company will continue performing well with sales growth of 50% and profit from core business of +56%. This does no include the gain from the sale of the coffee factory sale which we will include into our forecast as soon as the details are made available. At the current share price of VND91,500, Vinamilk looks very attractive with high earnings growth, low PER of 8.7x and low PEG of 0.2x.

VINAMILK

Investment Manager's Report (Continued)

Top 5 Holdings (Continued)

Hoang Anh Gia Lai

Market valuation	% of net assets	Initial acquisition date
US$40,906,447	10.00%	19 June 2009

Hoang Anh Gia Lai is one of Vietnam's biggest diversified real estate corporations and was founded in 2005 by entrepreneur Doan Nguyen Duc. At that time he added development operations to the well-known construction, hotel and furniture group he had started in 1990. The group had already accumulated land sites purchased at very low costs in Saigon, Danang, Gia Lai and Binh Dinh. The business is now fully integrated and has a potential pipeline of up to 28 residential and office projects. Hoang Anh Gia Lai's main focus is on the middle/upper-income residential market, in the major cities throughout the country. It is also moving into some new areas - rubber, power and mining - to diversify its income streams.

Hoang Anh Gia Lai had a good 1H10. PBT was VND1.4trn, or 81% higher than for the same period last year. Over 90% of its growth came from core real estate businesses as Hoang Anh Gia Lai continued to receive cash flow and profits from three residential projects in Saigon which it sold. The remaining growth was supported by gains from the divestment of two resorts in Binh Dinh and Da Lat which the company no longer considered as key businesses. These were sold in order to raise cash for re-investment into its four core businesses.

For the FY2010 it is expected that real estate will continue to be the leading contributor to the bottom line due to recently sold projects. There will be a change of the income structure when the company's diversification strategy takes effect and its two new businesses in mining and electricity become operational. Hoang Anh Gia Lai will start exporting iron ore from mines in Vietnam at the same time stocking up its inventory from mines in Laos and Cambodia for future export. Two hydropower plants should be finished and generate electricity from 2H10. This is due to be sold to Electric of Vietnam Corporation (EVN). These two new businesses will make up 25% in aggregate of the bottom line and reduce the dominance of real estate to 60%. The remainder is being made up by construction and production of furniture and granite.

Hoang Anh Gia Lai's diversification programme, to balance operations away from the volatile Real Estate sector, will focus on building six hydropower plants with a total capacity of 282MW in Vietnam and Laos. It will also continue the exploration for iron ore mines in Vietnam, Laos and Cambodia. The company planted 12,000ha of rubber trees out of a possible 51,000ha (including some land in Laos and Cambodia), and will plant another 12,000ha in 2010. Rubber production is expected by 2012. Ultimately Hoang Anh Gia Lai expects its new businesses to be about one-third of sales and earnings during 2010-12, but steadily increasing thereafter.

Hoang Anh Gia Lai has converted an amount of VND1.45trn of convertible bonds into ordinary shares with a premium of VND1.3trn. The net DER moved from -0.1x in 2007 to a peak of -0.7x in 2008, and down to -0.3x in 2009 and should continue to decline through projected cash flow.

Hoang Anh Gia Lai is currently restructuring its business by subsidiaries. Accordingly, there will be five large subsidiaries, each will specialise in one business, including real estate, mining, rubber, electricity and production of furniture and granite. Hoang Anh Gia Lai may consider selling a minority holding in these subsidiaries to generate cash for re-investment in businesses that are being developed. Its real estate subsidiary will be the first to go in 2010, and then mining. We feel this move is prudent and will relieve capital pressure from the parent company as mature subsidiaries become more active in managing business and capital demand by themselves.

To conclude, Hoang Anh Gia Lai is a fundamentally sound investment with strong expertise in real estate and growth supplemented and stabilised via its diversification programme. The future is very encouraging and we project NPAT to achieve growth of at least 30% through 2013.

Sacombank

	Market valuation	% of net assets	Initial acquisition date
	US$34,822,045	8.51%	9 November 2000

Sacombank remains the No. 2 private commercial bank in Vietnam in terms of total assets. In the last five years, it has focused on expanding its retail banking while gradually increasing its investment banking business. During this transition, it has focused on SMEs and individuals which it believes are favourable segments. This has proven the right strategy and most of the company's peers have followed suit. ACB, for instance, has been lagging but has now very much closed the gap with Sacombank in terms of branches and offices.

1H10 was clearly very difficult for the banking industry. CPI was at its rolling 12 months peak in the first quarter while SBV's lending rate cap of 12% was still in effect. These forced banks to accept very thin margins as they couldn't raise deposit rates. Banks were also busy closing down their gold business as at the end of March. As a result, loan growth in the system for 1H10 stood at just 10.5%, and deposit growth at 10.8%.

Fortunately, Sacombank performed fairly well in 1H10, mainly thanks to growth in non-interest income. Net profit growth was up 46% yoy (1H09 NPAT was VND705bn, 1H10 was VND1,029bn - unconsolidated). Loan growth was kept at 22.4%, despite growing 47% in 2009. Deposits grew faster at 24.6%, NIM improved strongly in 2Q yet cumulative NIM for 1H10 was still slightly lower than 1H09. As a consequence, interest income grew at 29% yoy. Making up the difference in the bottom-line was a stronger than expected performance of non-interest income, especially income from investments in other entities. This was mainly the proceeds from the sale of its stake in Sacombank Securities which accounted for half of the total non-interest income.

Sacombank has been aggressively restructuring its subsidiaries and affiliates in an effort to move towards becoming a pure banking group. It is divesting non-core businesses such as its 28% stake in SacomInvest. It has also reduced its ownership in its fastest-growing subsidiary Sacombank Securities (after selling 18.8% in December 2009). Sacombank Securities was listed in July 2010.

On the international front, Sacombank raised capital in its Phnom Penh branch from US$15-38m, showing a commitment to expand its SME client-base in Cambodia.

Since 2009 the competition in profitability and asset growth between No. 2 (Sacombank) and No. 3 (Techcombank) has become very fierce. Techcombank publicly admitted its "higher risks – higher return" policy and set targets 40% higher than those of Sacombank. 1Q10 showed they were still on par, and given that traditionally Sacombank reserves profits till year end, we think Sacombank can still retain its No. 2 position in 2010

Outlook for the second half of 2010 is much brighter. Now that the lending rate cap has been removed there is room for credit growth and the FX market looks favourable as well. However, we are concerned about Sacombank's attention to asset quality due to its aggressive credit growth in 2009, even though last year it reported far better ratios than industry average.

Sacombank
NGÂN HÀNG SÀI GÒN THƯƠNG TÍN

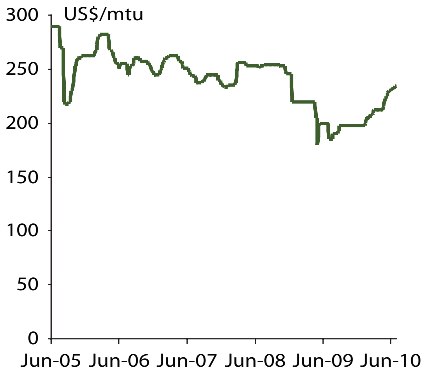
Investment Manager's Report (Continued)

Top 5 Holdings (Continued)

VRICL-Tiberon

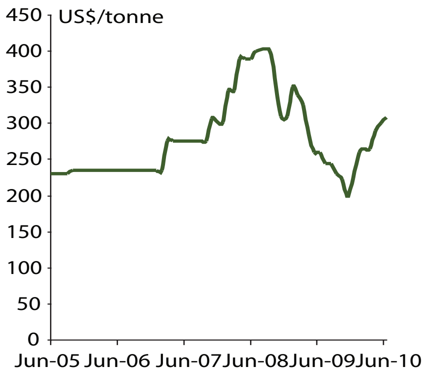
Market valuation	% of net assets	Initial acquisition date
US$23,804,432	5.82%	27 September 2007

Tungsten (APT) price



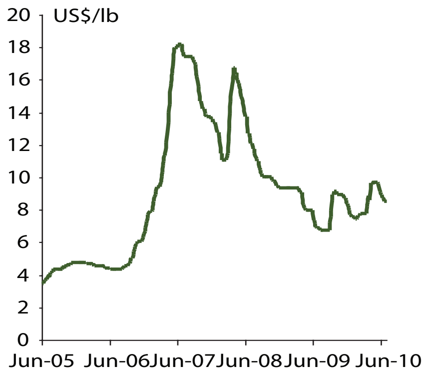
Source: Bloomberg

Acidspar price



Source: Bloomberg

Bismuth price



Source: Bloomberg

VRICL-Tiberon holds 70% of Nui Phao, the world-class polymetallic mine project in northeast Vietnam. VEIL has an indirect 21.3% holding. This is a project of global strategic importance in that it will supply half of the world's non-Chinese tungsten when production commences. Once operating, Nui Phao will also be one of the world's largest single-point producers of bismuth and acid-grade fluorspar. Additional revenues will be derived from copper concentrate containing minor gold credits. These major mineral products appear to be on a world-wide declining supply trajectory due to China's export restrictions, coupled with a lack of new project start-ups elsewhere in the world. Moreover, new consumer applications for these commodities are continually increasing demand. Nui Phao will operate as a low-cost open-pit mine with a targeted life of 16.5 years, extendable to some 24 years if inferred resources are converted to reserves.

A revised capital cost for the project was completed in 3Q08 by engineering firm Aker Solutions (Brisbane) and estimated at US$391m with a construction schedule of 27 months. However, the sanctity of this investment was thrown into jeopardy when, on 22 August 2009, the Vietnamese Prime Minister visited the Nui Phao project site and media recorded the Government's statement asserting the Nui Phao licenses would be revoked, given alleged issues with delays in implementation. Following a process of inspections, on 2 November 2009 Nui Phao received a notice from the Ministry of Natural Resources and Environment ("MoNRE"), the issuing authority for its mining license, which stated various conditions in accordance with the law, but essentially recognised that Nui Phao continues to be a licensed entity. Significantly however, the notice included the unfeasible condition that Nui Phao must develop the mine and bring it into production within 12 months of the notice date. The company's management subsequently drew up plans to engage in a dialogue with MoNRE and other relevant authorities to negotiate a more realistic timetable for bringing the mine into production.

TIBERON
MINERALS PTE LTD.

On 4 May 2010, VEIL announced that VRICL-Tiberon had signed a restructuring agreement over its indirect interests in Nui Phao with the Vietnamese listed Masan Group Corporation, itself already a shareholder of Intracorp, the local domestic partner and holder of 15% of Nui Phao. Closing of the transaction is subject to customary conditions precedent including regulatory and Government approvals. Should these conditions be satisfied, VRICL-Tiberon will transfer its investments related to Nui Phao to subsidiaries of the Masan Group, or the Masan Group itself, under a combination of equity and options. Final closure proceedings for this transaction are expected to occur sometime in August 2010.

As an unlisted asset since its acquisition, VEIL's interest in VRICL-Tiberon has been subject to quarterly independent valuations by BDA whose valuation methodology centres on their internally produced and independent "discounted cash flow" financial model. BDA then applies various sensitivity and risk factors to their financial model to adjust project variables and derive a reportable "fair market" valuation figure. Fair market value however, is not necessarily equal to the project net present value ("NPV"), but takes into account the factors that a willing, knowledgeable and prudent buyer would consider at any given point in time.

There are a number of uncertainties which in combination would suggest that fair value might be at a significant discount to the base case NPV. Areas of uncertainty include the timing and availability of finance, timing of the recommencement of construction activities, the completion of the compensation and relocation programme, the date of commissioning and start-up issues, uncertainty regarding possible future changes in Government export tariffs and mineral royalty rates, and especially the Government's unfeasible timeline attaching to the investment and mining license validity. Furthermore, capital and operating cost projections are merely estimates and subject to rise and fall variations, and the rate of ramp-up for the project to reach full capacity may take longer than predicted. In addition, commodity prices, even though based on independent expert projections, will vary from the assumptions made at any given point in time relative to the economic cycle prevailing.

Nui Phao Reserve and Resources

Category	MT (000s)	$W0_3$ (%)	CaF_2 (%)	Bi (%)	Cu (%)
Proven	23.52	0.26	8.57	0.11	0.23
Probable	31.91	0.17	8.38	0.08	0.15
Total Reserves	55.43	0.21	8.46	0.10	0.19
Inferred Resources	27.42	0.16	7.11	0.08	0.17

Source: Nui Phao

BDA stated that attracting debt project financing given the heightened risks and uncertainties relating to the investment and mining licenses would have a material impact on the valuation assessment and the recoverability of the investment which would not otherwise apply. In their end of December 2009 valuation assessment, BDA therefore noted that if there were no positive developments by the time of the next quarterly valuation at 31 March 2010, and given the Government's stated deadline of November 2010 to instigate license revocation procedures, that the provisioning factor would be increased to 50%. In their end of December 2009 valuation assessment, BDA noted that if there were no positive developments by the time of the next quarterly valuations at 31 March and 30 June 2010, and given the governments stated deadline of November 2010 to instigate license revocation procedures, the provisioning factor would need to increase to 50%. Given the status of the Masan negotiations, BDA considers that a 50% discount as of 30 June 2010 remains appropriate, giving a fair market value of US$27.0m.

Report of the Board of Directors

The Directors of Vietnam Enterprise Investments Limited (the "Company") present their report and the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (together referred to as the "Group") for the six months ended ended 30 June 2010.

Principal activity

The Company is an investment holding company incorporated as an exempted company with limited liability in the Cayman Islands on 20 April 1995. The Company's shares are listed on the Irish Stock Exchange. The principal activity of the Company is to invest directly or indirectly in a diversified portfolio of listed and unlisted enterprises in Vietnam.

Results and dividends

The Group's consolidated loss for the six months ended 30 June 2010 and its consolidated financial position at that date are set out in the accompanying condensed consolidated interim financial statements. The Directors have taken the decision not to pay a dividend in respect of the six months ended 30 June 2010.

Share capital

Details of movements in the Company's share capital during the six months ended 30 June 2010 are set out in the consolidated statement of changes in equity and in Note 5 to the condensed consolidated interim financial statements. As at 30 June 2010, the Company's issued share capital comprised of 170,672,830 redeemable shares and 1,000 management shares (31 December 2009: 173,823,000 redeemable shares and 1,000 management shares).

Directors

The Directors of the Company during the six months ended 30 June 2010 were:

Independent non-executive Directors

Richard McKegney
Wolfgang Bertelsmeier
Hartmut Giesecke

Non-executive Directors

Dominic Scriven
John Shrimpton (until 26 March 2010)

Directors' rights to acquire shares or debentures

At no time during the six months ended 30 June 2010 was the Company a party to any arrangement to enable the Company's Directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

Directors' interests in shares

Dominic Scriven and John Shrimpton have indirect interests in the share capital of the Company as they are both shareholders of Dragon Capital Group Limited, which holds the management shares of the Company. Dragon Capital Group Limited is also the ultimate parent company of Enterprise Investment Management Limited, the Investment Manager, and Dragon Capital Markets Limited. As at 30 June 2010, Dragon Capital Markets Limited beneficially held 1,302,421 redeemable shares of the Company for proprietary trading purposes (31 December 2009: 1,023,919 redeemable shares). Richard McKegney, a Director of the Company, is also 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 of the Company as at 30 June 2010 and 31 December 2009.

Apart from the above, no Directors had a direct or indirect interest in the share capital of the Company, or its underlying investments at the end of the six months ended 30 June 2010, or at any time during the six months ended 30 June 2010.

Directors' interests in contracts

Dominic Scriven and John Shrimpton have indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited as they were both Directors of Dragon Capital Management Limited during the six months ended 30 June 2010. There were no further contracts of significance in relation to the Company's business in which a Director of the Company had a material interest, whether directly or indirectly, at the end of the six months ended 30 June 2010 or at any time during the six months ended 30 June 2010.

Directors' fees

The Board will determine the fees payable to each Director, subject to a maximum aggregate amount of US$100,000 per annum being paid to the Board as a whole. Dominic Scriven and John Shrimpton have waived their rights to receive any Directors' fees. The Company will also pay reasonable expenses incurred by the Directors in the conduct of the Company's business including travelling and other expensess.

Substantial shareholders

The Company's register of shareholders showed that the following shareholders held more than a 10% interest in the issued share capital of the Company.

Registered shareholder:	Citivic Nominees Limited
Number of redeemable shares held:	131,665,280
% of total redeemable shares in issue:	75.75%

Registered shareholder:	Clearstream Banking SA (POA Fortis Banque Luxembourg)
Number of redeemable shares held:	42,085,719
% of total redeemable shares in issue:	24.21%

Significant events

Details of the significant events of the Company are set out in Notes 9 and 10 to the condensed interim financial statements.

Directors' responsibility in respect of the condensed consolidated interim financial statements

The Board of Directors is responsible for ensuring that the condensed consolidated interim financial statements of the Group are properly drawn up so as to give a true and fair view of the consolidated financial position of the Group as at 30 June 2010 and of the consolidated financial performance and consolidated cash flows for the six months then ended. When preparing these condensed consolidated interim financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the requirements of International Financial Reporting Standards or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the condensed consolidated interim financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the condensed consolidated interim financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue its operations in the foreseeable future; and
- control and direct effectively the Group in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the condensed consolidated interim financial statements.

Report of the Board of Directors (Continued)

Directors' responsibility in respect of the condensed consolidated interim financial statements (continued)

The Board of Directors is also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group. It is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that they have complied with the above requirements in preparing the condensed consolidated interim financial statements.

The Board of Directors confirms that the Investment Manager's report includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

Approval of the condensed consolidated interim financial statements

We hereby approve the accompanying condensed consolidated interim financial statements which give a true and fair view of the consolidated financial position of the Group as of 30 June 2010 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows for the six months ended 30 June 2010 in accordance with IAS 34, *Interim Financial Reporting*.

By order of the Board

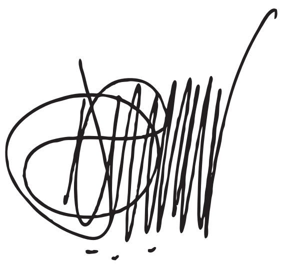
Dominic Scriven O.B.E.
Director
25 August 2010

Condensed Consolidated Statement of Financial Position

As at 30 June 2010 (Unaudited)

	Note	30 June 2010 US$	31 December 2009 US$	Change in %
CURRENT ASSETS				
Financial assets at fair value through profit or loss	4	398,099,565	431,343,040	
Amounts due from brokers		1,260,499	1,001,393	
Receivables		141,471	382,714	
Cash and cash equivalents		16,524,136	3,938,880	
		416,025,671	436,666,027	(4.73%)
CURRENT LIABILITIES				
Accounts payable and accruals		7,074,438	1,305,599	
NET ASSETS		408,951,233	435,360,428	(6.07)%
EQUITY				
Issued capital	5	1,706,738	1,738,240	
Share premium		350,552,462	356,666,449	
Retained earnings		56,692,033	76,955,739	
TOTAL EQUITY		408,951,233	435,360,428	(6.07)%
NUMBER OF REDEEMABLE SHARES IN ISSUE	6	170,672,830	173,823,000	
NET ASSET VALUE PER REDEEMABLE SHARE	6	2.40	2.50	(4.00)%

Approved by the Board of Directors on 25 August 2010.



Dominic Scriven O.B.E.
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 2010 (Unaudited)

	Note	For the six months ended 30 June 2010 US$	For the six months ended 30 June 2009 US$
INCOME			
Bank interest income		190,661	1,022,964
Dividend income		6,895,495	5,118,530
Net changes in fair value of financial assets at fair value through profit or loss		(33,361,852)	134,967,117
Gains/(Losses)on disposals of investments		11,150,088	(8,925,504)
Other income		9,158	325,469
TOTAL (LOSSES)/INCOME		(15,116,450)	132,508,576
EXPENSES			
Administration fees		(221,289)	(199,948)
Custodian fees		(66,386)	(59,985)
Directors' fees		(34,994)	(26,376)
Management fees	8	(4,288,379)	(3,998,979)
Legal and professional fees		(56,932)	(49,770)
Other operating expenses		(304,919)	(142,493)
TOTAL EXPENSES		(4,972,899)	(4,477,551)
NET (LOSS)/PROFIT BEFORE EXCHANGE LOSSES		(20,089,349)	128,031,025
Net foreign exchange losses		(174,357)	(378,697)
(LOSS)/PROFIT BEFORE TAX		(20,263,706)	127,652,328
Income tax		-	-
NET (LOSS)/PROFIT		(20,263,706)	127,652,328
Other comprehensive income		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(20,263,706)	127,652,328
Net (loss)/profit and comprehensive (loss)/income for the period attributable to redeemable shareholders		(20,263,706)	127,652,328
BASIC (LOSSES)/EARNINGS PER REDEEMABLE SHARE	7	(0.12)	0.73

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 2010 (Unaudited)

	Issued Capital US$	Share Premium US$	Retained Earnings US$	Total US$
At 1 January 2010	1,738,240	356,666,449	76,955,739	435,360,428
Transactions with shareholders recorded directly in equity				
Treasury shares acquired (Note 5)	(31,502)	(6,113,987)	-	(6,145,489)
Total comprehensive income for the period:				
Net loss for the period	-	-	(20,263,706)	(20,263,706)
At 30 June 2010	1,706,738	350,552,462	56,692,033	408,951,233

	Issued Capital US$	Share Premium US$	Retained Earnings US$	Total US$
At 1 January 2009	1,738,240	356,666,449	6,605,130	365,009,819
Total comprehensive income for the period:				
Net profit for the period	-	-	127,652,328	127,652,328
At 30 June 2009	1,738,240	356,666,449	134,257,458	492,662,147

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 2010 (Unaudited)

	For the six months ended 30 June 2010 US$	For the six months ended 30 June 2009 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit for the period	(20,263,706)	127,652,328
Adjustments for:		
Dividend income	(6,895,495)	(5,118,530)
Bank interest income	(190,661)	(1,022,964)
Other interest income from investments	(9,158)	(325,469)
Realised (gains)/losses on disposals of investments	(11,150,088)	8,925,504
Changes in fair value of financial assets at fair value through profit or loss	33,361,852	(134,967,117)
	(5,147,256)	(4,856,248)
Change in receivables	(191,956)	(4,530,395)
Change in accounts payable and accruals	5,768,839	5,600,988
	429,627	(3,785,655)
Proceeds from disposal of investments	81,840,148	49,476,347
Purchase of financial assets at fair value through profit or loss	(70,808,423)	(27,783,392)
Dividend received	6,885,691	4,764,726
Bank interest received	199,230	1,130,811
Other income from investments received	184,472	325,469
Net cash generated from operating activities	18,730,745	24,128,306
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of own shares	(6,145,489)	-
Net cash used in financing activities	(6,145,489)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,585,256	24,128,306
Cash and cash equivalents at the beginning of the period	3,938,880	16,517,685
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	16,524,136	40,645,991

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 2010 (Unaudited)

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

1. THE COMPANY

Vietnam Enterprise Investments Limited (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 the annual general meeting held on 12 July 2010, a special resolution to wind up the Company effective 31 December 2012 was not passed and the Company therefore 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 (Note 10).

As at 30 June 2010 and 2009, the Group had no employees. The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2010 comprise the Company and its subsidiaries.

As at 30 June 2010 the Company had the following investments in subsidiaries and jointly controlled entity, for the purpose of investment holding:

Subsidiaries and jointly controlled entity	Country of incorporation	Principal activities	% holdings
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 2009.

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 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those used in its annual consolidated financial statements as at and for the year ended 31 December 2009.

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 2009.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2010 US$	31 December 2009 US$
Listed investments:		
Investments, at cost	218,536,631	193,952,453
Unrealised gains	119,097,349	148,060,486
At fair value	337,633,980	342,012,939
Unlisted investments:		
Investments, at cost	126,929,712	149,277,532
Unrealised losses	(66,464,127)	(59,947,431)
At fair value	60,465,585	89,330,101
Total investments at fair value	398,099,565	431,343,040

As at 30 June 2010, the details of investments were as follows:

	Sector	Fair Value	% NAV
Listed investments:		US$	
Overseas listed equities			
Olympus Pacific (Canada)	Materials/Resources	5,635,251	1.38
Vedan	Food/Beverage	2,053,596	0.50
Asian Minerals	Materials/Resources	935,590	0.23
		8,624,437	2.11
Vietnam listed equities			
ACB	Banks	76,669,494	18.75
Vinamilk	Food/Beverage	55,595,500	13.59
Hoang Anh Gia Lai	Real Estate	40,906,447	10.00
Sacombank	Banks	34,822,045	8.51
REE	Real Estate	20,354,915	4.98
Hoa Phat Group	Materials/Resources	14,504,691	3.55
FPT	Software/Services	13,752,346	3.36
PV Drilling	Energy	10,481,908	2.56
Sudico	Real Estate	7,821,138	1.91
DIG	Real Estate	6,913,082	1.69
VFMVF1	Funds	5,869,394	1.44
Phu My Fertilizer	Materials/Resources	5,007,418	1.22
Masan Group	Diversified Financials	4,262,284	1.04
CII	Diversified Financials	4,254,999	1.04
SSI	Diversified Financials	3,753,524	0.92
Kinh Bac City	Real Estate	3,172,155	0.78
Vinh Son-Song Hinh	Utilities	2,392,949	0.59
Hoa Sen Group	Materials/Resources	2,361,739	0.58
PetroVietnam Insurance	Insurance	2,248,146	0.55
BCCI	Real Estate	1,994,479	0.49
Kinh Do	Food/Beverage	1,960,171	0.48
Song Da Thang Long	Real Estate	1,620,765	0.40
Pomina	Materials/Resources	1,448,305	0.35
Dong Phu Rubber	Materials/Resources	1,382,511	0.34
Gemadept	Transportation	1,365,325	0.33
Phu Nhuan Jewelry	Consumer Durables	1,353,921	0.33
CMG	Technology Hardware	797,128	0.19
Hung Vuong Corp	Food/Beverage	713,261	0.17
NBB	Real Estate	539,946	0.13
Hau Giang Pharma	Pharmaceuticals	457,506	0.11
Tu Liem Housing	Real Estate	232,051	.06
		329,009,543	80.44
TOTAL LISTED INVESTMENTS		337,633,980	82.55

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	Sector	Fair Value	% NAV
Unlisted investments:		US$	
Vietnam OTC equities			
Sacomreal	Real Estate	10,036,716	2.45
Sabeco	Food/Beverage	2,549,740	0.62
		12,586,456	3.07
Private equities			
VRICL-Tiberon	Materials/Resources	23,804,432	5.82
Danao	Real Estate	10,918,729	2.67
VFMVF2	Funds	9,233,391	2.26
VIFS	Funds	1,324,015	0.32
PDD	Real Estate	950,000	0.23
		46,230,567	11.30
Warrants			
FPT Warrant	Software/Services	598,726	0.15
Loans			
Danao - Loan 8.5% 03/08/2011	Real Estate	1,049,836	0.26
TOTAL UNLISTED INVESTMENTS		60,465,585	14.78

5. ISSUED CAPITAL

	30 June 2010 US$	31 December 2009 US$
Authorised:		
500,000,000 redeemable shares at par value of US$0.01 each	5,000,000	5,000,000
300,000,000 conversion shares at par value of US$0.01 each	3,000,000	3,000,000
1,000 management shares at par value of US$0.01 each	10	10
	8,000,010	8,000,010
Issued and fully paid:		
170,672,830 (31 December 2009: 173,823,000) redeemable shares at par value of US$0.01 each	1,706,728	1,738,230
1,000 management shares at par value of US$0.01 each	10	10
	1,706,738	1,738,240

	US$
At 1 January 2010	1,738,240
Share repurchase	(31,502)
At 30 June 2010	1,706,738

Following the Company's announcement on 11 June 2010 regarding a repurchase of shares, the Company purchased through Rickmansworth Ltd., a dedicated wholly owned subsidiary of the Company, 3,150,170 redeemable shares issued and outstanding in the Company at an average price of US$1.928 from 11 June 2010 to 30 June 2010. Shares repurchased will, for as long as they are held by Rickmansworth Ltd., be held for the benefit of the Company.

6. NET ASSET VALUE PER REDEEMABLE SHARE

The calculation of the Net Asset Value ("NAV") per redeemable share is based on NAV attributable to the redeemable shareholders of the Group as at 30 June 2010 of US$408,951,233 (31 December 2009: US$435,360,428) and the number of redeemable shares in issue as at that date of 170,672,830 shares (31 December 2009: 173,823,000 shares).

7. BASIC (LOSSES)/EARNINGS PER REDEEMABLE SHARE

The calculation of basic (losses)/earnings per redeemable share for the six months ended 30 June 2010 is based on the net loss for the period attributable to the redeemable shareholders of the Group of US$20,263,706 (six months ended 30 June 2009: US$127,652,328) and the weighted average number of redeemable shares outstanding of 170,672,830 (six months ended 30 June 2009: 173,823,000 shares) in issue during the period.

8. TRANSACTIONS WITH RELATED PARTIES

Directors' interests in shares

Dominic Scriven and John Shrimpton have indirect interests in the share capital of the Company as they are both shareholders of Dragon Capital Group Limited, which holds the management shares of the Company. Dragon Capital Group Limited is also the ultimate parent company of Enterprise Investment Management Limited, the Investment Manager, and Dragon Capital Markets Limited. As at 30 June 2010, Dragon Capital Markets Limited beneficially held 1,302,421 redeemable shares of the Company for proprietary trading purposes (31 December 2009: 1,023,919 redeemable shares). Richard McKegney, a Director of the Company, is also 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 of the Company as at 30 June 2010 and 31 December 2009.

Apart from the above, no Directors had a direct or indirect interest in the share capital of the Company, or its underlying investments at the end of the six months ended 30 June 2010, or at any time during the six months ended 30 June 2010.

Directors' interests in contracts

Dominic Scriven and John Shrimpton have indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited as they were both Directors of Dragon Capital Management Limited during the six months ended 30 June 2010. There were no further contracts of significance in relation to the Company's business in which a Director of the Company had a material interest, whether directly or indirectly, at the end of the six months ended 30 June 2010 or at any time during the six months ended 30 June 2010.

Directors' fees

The Investment Manager, Enterprise Investment Management Limited, is responsible for identifying, making and monitoring investments on behalf of the Group. Dominic Scriven and John Shrimpton, Directors of the Group, are also the Directors of the Investment Manager. Dominic Scriven and John Shrimpton are also shareholders and Directors of Dragon Capital Group Limited, the holder of the management shares of the Group and the ultimate parent company of the Investment Manager.

Richard McKegney, a Director of the Company, is also 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 of the Company as at 30 June 2010 (31 December 2009: 1,026,770 redeemable shares).

During the six months ended 30 June 2010, the Directors, with the exception of Dominic Scriven and John Shrimpton, earned US$34,994 (six months ended 30 June 2009: US$26,376) for their participation on the Board of Directors of the Company.

As at 30 June 2010, Dragon Capital Markets Limited beneficially held 1,302,421 redeemable shares of the Company for proprietary trading purposes (31 December 2009: 1,023,919 redeemable shares).

Management fees

The Investment Manager is entitled to receive management fees at 2% per annum of NAV, payable monthly in arrears on the first business day of such month and calculated by reference to NAV at the end of the preceding month. During the six months ended 30 June 2010 total management fees amounted to US$4,288,379 (six months ended 30 June 2009: US$3,998,979). As at 30 June 2010, management fees payable to the Investment Manager were US$550,242 (31 December 2009: US$788,170).

Incentive fees

The Investment Manager, under certain circumstances, is entitled to incentive fees, 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 fees are calculated at a rate of 20% of the relevant amount against which the incentive fees 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 fees paid in any previous year:

N = O – P,

where:

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

O is NAV of all the redeemable shares of the Group on the last valuation day in that accounting period plus 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 incentive fees to be payable in respect of the six months ended 30 June 2010, NAV per redeemable share of the Group as at 30 June 2010 needed to exceed US$6.83 (31 December 2009: US$6.33). As at 30 June 2010, NAV per redeemable share of the Group was US$2.40 (31 December 2009: US$2.50).

There were no incentive fees incurred during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

9. SIGNIFICANT EVENTS

VRICL-Tiberon

On 30 April 2010 agreements were entered into by Tiberon Minerals Ltd Pte ("Tiberon") and Vietnam Resource Investments (Cayman) Limited ("VRICL") to restructure the Company's indirect interests in Nui Phao, the Company's investment in VRICL-Tiberon. The closure of the transaction is subject to certain conditions including regulatory and Government approvals. Should these conditions be satisfied, the Company will transfer its equity investment related to Nui Phao to subsidiaries of the Masan Group, a large publicly listed Vietnamese company, in exchange for a combination of equity and share options.

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

For the Six Months Ended 30 June 2010 (Unaudited)

10. SUBSEQUENT EVENTS

Annual general meeting

At the Company's annual general shareholders meeting held on 12 July 2010, 83.24% of the Company's shareholders voted against the wind up of the Company effective 31 December 2012 and, as a result, the special resolution was not passed.

Fair value of financial assets at fair value through profit or loss

Since 30 June 2010 Vietnam's stock markets dropped significantly. As at 19 August 2010, the aggregate fair value of the financial assets of the Group at fair value though profit or loss therefore has fallen by US$24.6m to US$373.5m from the aggregate fair value as at 30 June 2010. The details are as follows:

	30 June 2010 US$	Fluctuations US$	19 August 2010 US$
Listed investments	337,633,980	(32,970,693)	304,663,287
Unlisted investments	60,465,585	8,352,430	68,818,015
Financial assets at fair value through profit or loss	398,099,565	(24,618,263)	373,481,302

11. SEASONALITY

The Group's results for the six months ended 30 June 2010 and 2009 are not subject to any significant seasonal or cyclical factors.

12. 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 25 August 2010.

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Administrator, Registrar and Secretary
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* The Administrator has changed its name from Fortis Prime Fund Solutions (Cayman) Limited to ABN AMRO Fund Services (Cayman) Limited with effect from 1 July 2010.

** The Sub-administrator changed its name from Fortis Prime Fund Solutions (Asia) Limited to ABN AMRO Fund Services (Asia) Limited with effect from 5 July 2010.

*** The Custodian changed its name from Fortis Prime Fund Solutions Bank (Ireland) Limited to ABN AMRO Bank (Ireland) Limited with effect from 5 July 2010.