



VIETNAM ENTERPRISE INVESTMENTS LIMITED

INTERIM REPORT 2013



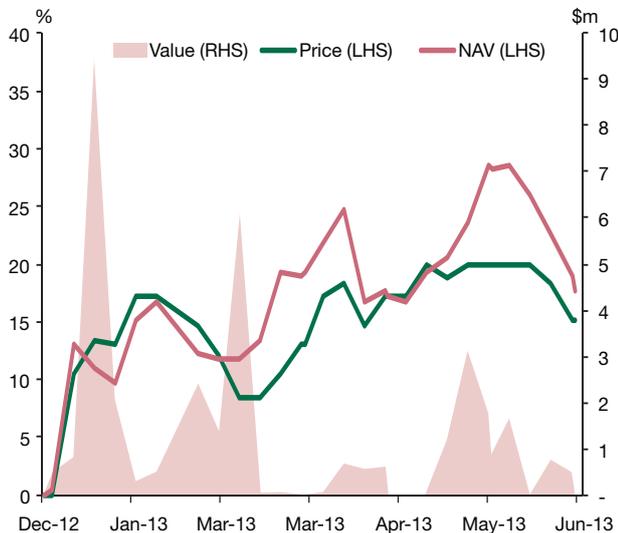
**DRAGON
CAPITAL**

CONTENTS

1	SUMMARY OF KEY FINANCIAL INFORMATION
2	INVESTMENT MANAGER'S REPORT
12	TOP FIVE HOLDINGS
22	REPORT OF THE BOARD OF DIRECTORS
24	CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
25	CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
26	CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
27	CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
28	NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
36	ADMINISTRATION
37	BOARD OF DIRECTORS
38	NAME ABBREVIATIONS

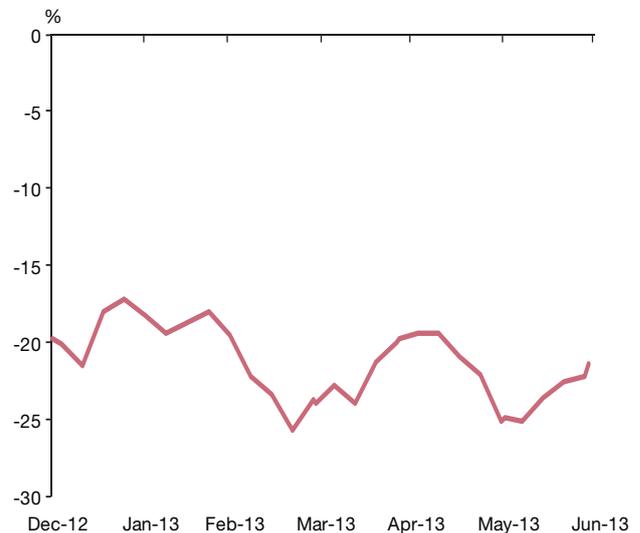
SUMMARY OF KEY FINANCIAL INFORMATION

Share Price & Net Asset Value ("NAV")



Source: Dragon Capital

Discount to NAV



Source: Dragon Capital

Performance

	30 June 2013	31 December 2012	% Change
Total net assets	US\$457,383,246	US\$401,551,608	13.90
Number of outstanding shares	163,106,529	168,487,420	(3.19)
NAV per share	2.80	2.38	17.65
Share price (mid-price)	2.20	1.91	15.18
Discount	(21.43%)	(19.75%)	(8.51)
US\$/VND exchange rate	21,205	20,835	1.78
VN Index (price return - VND terms)	481.13	413.73	16.28
VN Index (total return - US\$ terms) Source: Bloomberg*	n/a	n/a	17.19

*For the period 31 December 2012 to 30 June 2013

Period's High and Low (US\$)

	Year to 30 June 2013		Year to 31 December 2012	
	High	Low	High	Low
NAV per share	3.06	2.38	2.50	1.90
Share price (mid-price)	2.29	1.91	2.16	1.67

Source of Income (US\$)

	Six months ended 30 June 2013	Six months ended 30 June 2012
Dividend income	8,053,046	11,606,095
Interest Income	34,230	174,958
Net changes in fair value of financial assets at fair value through profit or loss	55,318,701	70,191,372
Gains/(losses) on disposals of investments	9,031,595	(10,467,418)
Other income	91	-
Total	72,437,572	71,505,007

INVESTMENT MANAGER'S REPORT

Economy

Bottom Reached but Questionable Speed of Recovery

In the first quarter of 2013, it was hard to find evidence of economic activity reaching a bottom. Recently, however, there have been recovery signals which support our view that Vietnam's economy has already reached the bottom. The only remaining question now is the speed of recovery.

Starting at the end of the first quarter of 2013, the Government loosened its tight monetary policy and became increasingly supportive of growth. As such lending rates dropped by 200-250bps to 10-14%, or on average 13% in the second quarter vs. 15% in the first quarter. Credit growth also started picking up and reached 5.2% in the first seven months vs. 1.1% in the first quarter of 2013. The impact of monetary policy on economic activity has a typical time lag of six to nine months. However, given the seriousness of Vietnam's non-performing loans ("NPLs"), it is reasonable to assume that it will take these initiatives longer to gain traction, maybe as much as nine to twelve months, implying that the impact will only be seen by late 2013 or in the first half of 2014.

Meanwhile, investment as a percentage of GDP dropped to 29.6% in the first half of 2013, a record low since the nineties. This ratio was as high as 43-45% during the boom times. However, during stable growth periods, this will be 32-34% which is not high compared to other countries. We believe that this ratio is bottoming out as well. It is expected that the tight fiscal policy which has been pursued since early 2011 will be eased from the second half of 2013 onwards thanks to 1) excellent bond mobilisation in the first half of 2013, 2) large amounts of ODA waiting to be disbursed, 3) the planned disbursement of a VND100 trillion (US\$4.7 billion) financial package over three years to resolve municipal debt and complete some unfinished infrastructure projects. This package will need approval from the National Assembly in October.

In principle, this is a good move. The concern, however, is the inefficiency of public investment and its spillover impact on the economy (so-called fiscal multiplier effect). We don't think that the fiscal multiplier effect will be high in Vietnam. Given the size of the package and the current weak aggregate demand, it is unlikely that this package will create inflationary pressure. Equally important, in view of the close public and political attention given to the disbursement of public spending, it is very likely that the efficiency of these public investments will be improved.

A new exciting development is the Trans-Pacific Partnership ("TPP") agreement which is expected to be implemented late in 2014. TPP is a comprehensive market liberalisation package which reduces and eliminates nearly 100% of the tariff lines (except for some sensitive goods subject to bilateral negotiation) and which removes restrictive measures regarding investments and services. Vietnam will be the largest beneficiary of the TPP. According to a study by Peter at Brandeis University, Vietnam should enjoy, by 2015, an additional US\$5-8 billion of income thanks to TPP. By 2025, Vietnam should gain an additional US\$35 billion (measured in 2007 US\$ terms) of GDP which would be 10.5% higher than the base case without TPP. Whilst these may be aggressive estimates it should be possible to achieve at least half of this. An example is: China accounts for about 50% of textile/shoe/ and knits export to the US whilst Vietnam is about 8%. With salaries in China skyrocketing in the past few years a good chunk of China exports will go to Vietnam as the result of TPP.

Registered Foreign Direct Investment ("FDI") grew 20% to US\$12 billion in the first seven months of 2013. Disbursement reached US\$6.7 billion, or +6.5%. One of the key drivers was an investment wave of Hong Kong, Chinese and Korean textile companies in anticipation of the signing of the TPP. To cite a few examples: Texhong invested US\$300 million, Pacific Textiles US\$180 million, TAL Group US\$200 million and Korea's Kyungbang US\$160 million. Kyungbang's aim is to be the largest mill in Asia. After a US\$2 billion project in the Thai Nguyen Province early 2013, Samsung announced its third FDI project in Vietnam with a US\$1.2 billion plant for camera modules and electronics parts by 2014. Samsung's first US\$1.5 billion FDI project created more than 100,000 jobs. After a long delay, the refinery project Vung Ro with total investment of US\$3.2 billion will commence in the third quarter of 2013. Given that recent FDI projects focus on manufacturing and not on property as was the case in the past, we expect to see a higher ratio of fresh money coming from overseas rather than local borrowing.

Imported intermediate production input has gone up significantly. Import of cotton, textile yarn, electronic and cell phone components rose from 40 to 80% in the first six months. This indicates a positive outlook for both the manufacturing export sector and domestic manufacturing. We also saw steel consumption started picking up from May after more than a year of steady decline. Automobile demand also started to pick up in late 2012. Vehicle sales growth is one of our favorite indicators to measure the domestic aggregate demand which is similar to the popular auto sales indicator in the US. Vietnam's indicator has been negative for the last two years which was in line with the sluggish GDP growth. However, since June 2012, it has stopped worsening and started to pick up steadily from a low base. Other reliable indicators are import growth of cars and motorcycles (and parts) which have shown strong correlation with vehicle sales. During a recovery, sales usually pick up first before importers start to build up inventories again. The strong acceleration of vehicle imports therefore points to a recovery in domestic demand.

However, there are also some indicators showing that the economy continues to weaken. Imported petroleum reported a decline by 25% YoY in the first half of 2013 vs. 13% in the first half of 2012 which appeared to be driven by the rise in supply from Dung Quat's refinery production. Given that Vietnam had sufficient electricity supply this year, it is likely that part of its energy consumption has switched from petroleum to electricity. At the same time, growth of industrial production slowed to 5.2% in the first half of 2013 from 6.1% in the first half of 2012 while growth of retail sales, adjusted for inflation, slowed as well to 4.9% in the first half of 2013 from 6.7% in the first half of 2012. Last but not least, the Purchasing Managers Index (PMI) published by MarketKit & HSBC came in significantly below the crucial 50 level both in May and June 2013 (below 50 means contraction, above 50 means expansion).

During the first decade of the second millennium, even inefficient companies were able to deliver profits as aggregate demand was growing strongly and credit was widely available at low rates. This had the effect of fragmenting sectors with hundreds of small companies. However, the recent slowdown has pushed less efficient companies out of business and created opportunities for good companies to benefit from their superior management and risk control to gain market share consolidation. As a result, capital allocation and sector efficiency have improved such as in brokerage, real estate, steel, construction, fishery, and banking. Quite a number of the sector leaders have seen their profits bottoming in the second half of 2012.

Banking sector

Vietnam's banking sector has been deleveraging since early 2011. As a result, credit as a percentage of GDP dropped from 135% to 99% and loan-to-deposit ratio decreased from 108% to 87% as of June 2013. During the Asian crisis, most Asian countries had credit as a percentage of GDP of 175-200%. Post-crisis this ratio dropped to 135-160% for most countries. Vietnam is thus in a better position to deal with its NPLs than its Asian peers after the Asian financial crisis in 1997 as it is benefitting from the deposit growth of 20-22% and credit growth of 8-9% in 2012. It is likely that healthy deposit growth will continue given that Vietnam's foreign exchange ("FX") market has remained remarkably stable over the last two years. Last, but not least, Vietnam's banking sector has also benefitted from foreign capital inflows through the acquisition of strategic stakes in some banks, i.e. Vietinbank (US\$740 million) and Vietcombank (US\$560 million) whereas its Asian peers suffered foreign capital outflows during the Asian financial crisis.

One of the two key problems, i.e. banking sector liquidity issues caused by excessive leverage and mismatch in interbank activities, followed by a sharp increase in NPLs, has been addressed, at least in part. 3-month interbank rates dropped from two digit numbers to 6% while overnight rates have remained at 2-3% for months. The other key banking problem, i.e. NPLs, will take much longer to address and is far more challenging especially in a slowing economy.

The good news is that the risk of a collapse in the banking system seems to have vanished, but whether Vietnam can avoid a long period of slow growth will depend on how it will deal with NPLs. During the last two years, there has been a credit crunch as lending rates skyrocketed from an average 9.5% during 2000 to 2007 to 13-24% during 2008 to the first half of 2013. Corporate bond spreads also increased significantly. Given the recent rate cuts, lending rates have started to come down but are still too high. Without an appropriate plan to deal with NPLs, it is hard to see how lending rates can be reduced further to appropriate levels which are prerequisites in getting credit flowing again. This time is, hopefully, with the right capital allocation. Nonetheless, Vietnam remains one of the few countries with a positive real interest rate with 2013 inflation forecasted around 6-6.5% and deposit rates around 7-7.5%.

The plan of State Bank of Vietnam ("SBV") to establish the Vietnam Asset Management Company ("VAMC") to deal with NPLs came into effect on 9 July 2013 and will operate along the following lines:

- VAMC will have chartered capital of VND500 billion under the control of SBV
- All banks with NPLs above 3% will have to sell their NPLs to VAMC
- VAMC will issue in exchange a bond guaranteed by the Government with a 0% coupon and a five year tenor
- VAMC will exchange banks' NPLs at book value after deducting unused specific provisions
- Banks are allowed to use these bonds to borrow money via the refinance window with at a haircut and at special preferential rates
- The banks will have to take an annual provision of 20% on these bonds
- The split between banks and VAMC on the recovery that VAMC can make on loans is not specified yet (N.B. the suggested ratio is 15% for VAMC and 85% for banks)

INVESTMENT MANAGER'S REPORT (CONTINUED)

Economy

The effect of the above described VAMC program is similar to that of a Quantitative Easing ("QE") program in the West. However, unlike in the West, Vietnam's VAMC has already built-in its exit strategy by requiring banks to make annual provisions of 20%. Whilst this does not address the issue of asset quality, it will give the banking sector at least more room to breathe and wait for the recovery – a typically Vietnamese pragmatic approach. It remains to be seen if Vietnam's QE program will be sufficiently large to get the economy back on track. What is unclear, however, is how banks will be required to participate. It could well be that banks are reluctant to participate as annual provisions of 20% would negatively impact their financial results. The Prime Minister, therefore, signed Decision 843 on 31 May 2013 to outline the consequences that banks would face should they not follow the VAMC program:

- Inspection and audit as mandated by SBV
- Limit expansion of operations
- Restrict and/or suspend operations
- Limit dividend payments, share transfers and/or transfer of property
- Application of stricter capital ratios
- Increase capital
- Limit credit growth

The effectiveness of Decision 834 will depend on the determination of the SBV to implement the decision and deal with each bank. We believe that the VAMC program will relieve some of the pressure on the banking system and provide for much needed time to work out of all or part of the NPLs. The banking sector should have seen the worst as liquidity problems are being dealt with and now that the VAMC program has been officially launched. Nonetheless, NPLs will still impact banks' potential for profit over the next few years.

Property sector

In the property market aggregate inventory remains high. But we have noted a pickup in activities in a few segments. In the first half of 2013, many large office/hotel transactions occurred: VinaCapital sold the Legend Hotel to Lotte for US\$62.5 million, Gemadept sold its tower to a Korean buyer, Asiana Airlines bought 50% of Kumho Asiana Plaza. Vingroup – the largest real estate developer in Vietnam – sold one of its signature assets, Vincom Center A, for US\$470 million. Vingroup also successfully transferred 20% stake of Vincom Retail JSC – an associate of Vingroup – to Warburg Pincus for US\$200 million. While Hanoi's property market was completely frozen in late 2012 with strong declines in prices, we have seen demand coming back by the end of the first quarter 2013 for quality projects such as the Mandarin Garden developed by Hoa Phat Group and the Royal City developed by Vincom. At the peak, Mandarin was traded at around US\$2,350 per square metre, but it touched US\$1,450 per square metre at the end of 2012 with low turnover. Now we are seeing strong real demand coming, with prices rising about 3-5% from the bottom for both projects. Two segments of the property market may have seen their bottom: 1) prime location office buildings and 2) residential buildings in good locations developed by well known players.

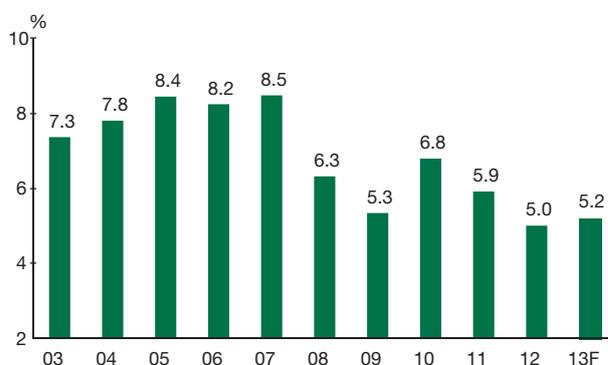
Demographics

Japan's economic miracle came to an end in the late 80's as its work force reached its peak. China became an economic powerhouse thanks to its economic policies but also the fact that its demography had a major contribution to this amazing growth. China reached its work force peak in 2012. In Vietnam, this peak is still some 10-15 years away. More importantly Vietnam's ratio of middle age population (24-45/ population) started to pick up fast and won't reach its peak until 2024. This ratio is known to have a high correlation with housing demand and consumption.

Economic activity is bouncing along the bottom of the cycle and as such we don't expect any significant recovery to happen in 2013. However, given our view on the lag effect of economic policy and the impending signing of important free trade agreements (TPP, Vietnam-Europe) coupled with the positive demographics picture, we are optimistic that Vietnam will likely see the beginning of its recovery in 2014.

Real GDP Growth

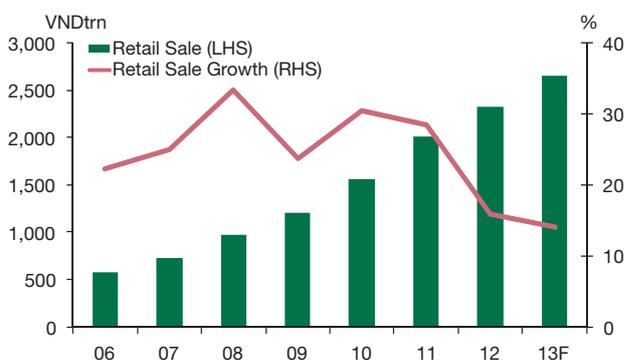
The first half of 2013, GDP grew 4.9% year-on-year (“YoY”) which was marginally lower than the 4.93% in the first half of 2012. Services accelerated from 5.3% in the first half of 2012 to 5.9% in the first half of 2013 whereas Industrial & Construction and Agriculture slowed from 5.6% in the first half of 2012 to 5.2% in the first half of 2013 and from 2.9% to 2.1% respectively. It appears that the performance of agriculture is correlated to the current cyclical weakness of global commodities. Meanwhile, Vietnam is grappling with structural issues in Industrial & Construction which delivered the highest growth during the boom period 2005-2008. However, there are signs that the sector is bottoming out. Whilst in the first half of 2013, growth of 5.2% was poor, it is still better than the full-year 2012 growth of 4.5%. We forecast 2013 GDP growth at 5.2%, lower than the Government’s target of 5.5% but higher than in 2012.



Source: General Statistics Office (“GSO”)

Retail Sales

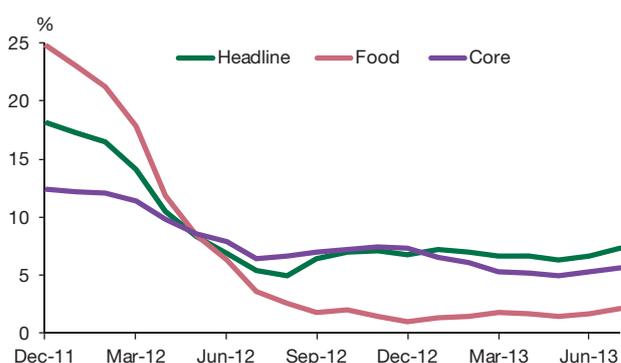
Retail sales grew 11.9% in the first half of 2013, decelerating from 20% in the first half of 2012 mainly due to lower price increases. If adjusted for inflation, retail sales grew a mere 4.9%, lower than the 6.7% growth during the same period last year. Wage reductions and high unemployment negatively affected the consumer confidence and consumption in the first half of 2013. However, we are confident that consumer consumption will gradually improve in the second half of 2013 as the economy is slowly bottoming out.



Source: GSO

Inflation

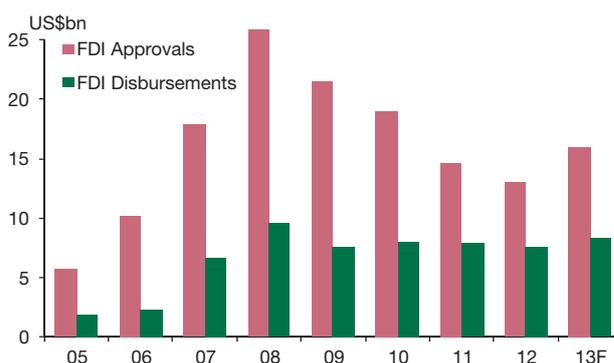
Inflation in July 2013 was 0.27%, higher than the -0.29% last year. As a result, the consumer price index (“CPI”) YoY increased from 6.7% in June to 7.3% in July. The key drivers were food and transportation prices. Food CPI YoY accelerated from 1.7% to 2.2%, whilst transportation CPI YoY jumped from 3.5% to 7.5% following two consecutive petrol price increases of 3.5% in total within July. But core inflation is still muted at 5.7% YoY in July, reflecting weak final demand. We expect that monthly inflation will, driven by seasonality, accelerate towards the end of the year, but that CPI YoY will peak around August and then decelerate to 6-6.5% towards the end of the year as the effects of the liberalisation of healthcare & education prices fade.



Source: GSO, Dragon Capital

Foreign Direct Investment

Registered FDI grew 20% to US\$12 billion in the first seven months of 2013. Disbursement reached US\$6.7 billion, or +6.5%. One of the new drivers is an investment wave by Hong Kong, Chinese and Korean textile companies in anticipation of the signing of the free trade agreement, i.e. TPP. Given that recent FDI projects focus on manufacturing and no longer on property as was the case in the past we expect to see a higher ratio of fresh money from overseas compared to local borrowing.



Source: GSO, International Financial Statistics (“IFS”), Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

Economy

Export and Import

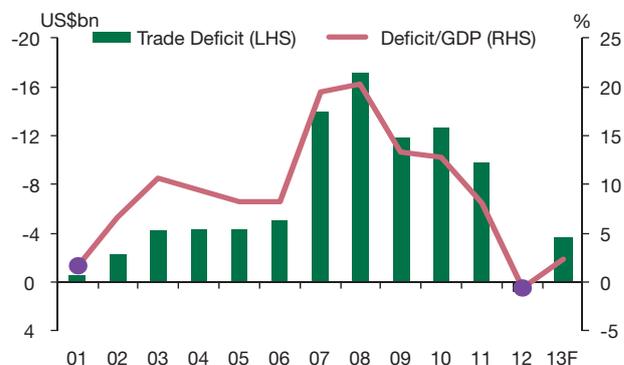
As of July, quarter-on-quarter ("3m/3m") core export growth slowed a bit due to weak commodity exports but remained healthy at 18% YoY thanks to manufacturing exports which grew strongly by 30% YoY. This is much higher than for most of Vietnam's peers such as China, Thailand, Indonesia and Philippines. Meanwhile, 3m/3m core imports accelerated to 20%, compared to 10% at the end of last year. Import growth was led by materials imports for export manufacturing and consumption demand. This points to an economic recovery after the difficult period in 2012. We forecast 2013 export and import growth at 16% and 18% respectively.



Source: Customs, IFS, Dragon Capital

Trade Deficit

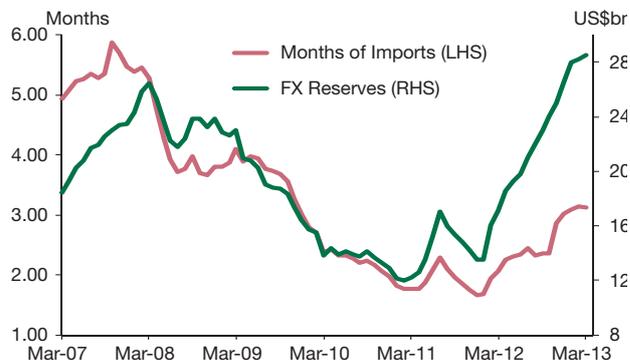
After an exceptional performance in 2012, the trade balance for the first half of 2013 moved slowly into negative territory again as import demand rebounded. Total exports were US\$61.5 billion (+15.1% YoY) while imports were US\$62.5 billion (+15.6%), resulting in a trade deficit of nearly US\$1.0 billion for the first half of 2013. The core trade deficit, based on our 12-month rolling analysis, also increased from a surplus of US\$0.8 billion at the end of 2012 to a deficit of US\$1.2 billion in June 2013. After a small trade surplus in 2012 due to weak import demand, we forecast the 2013 trade deficit (CIF) at US\$1.4 billion.



Source: GSO, IFS, Dragon Capital

Foreign Currency Reserve

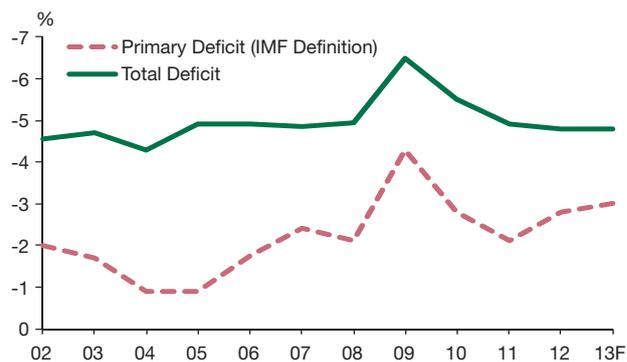
After buying US\$18 billion in 2012, SBV bought another US\$3.2 billion in the first quarter of 2013 to increase its FX reserves. We therefore estimate that FX reserves should now be close to US\$29 billion as of March 2013. The continued build-up of FX reserves provides more liquidity to the banking system, helps with the process of lowering interest rates and increases the confidence in the overall economy. Despite the fact that the trade balance is turning to a minor deficit again, we are confident that the healthy inflow of foreign currency from remittances, FDI and ODA will allow FX reserves to increase even further.



Source: IFS, Dragon Capital

Fiscal Balance

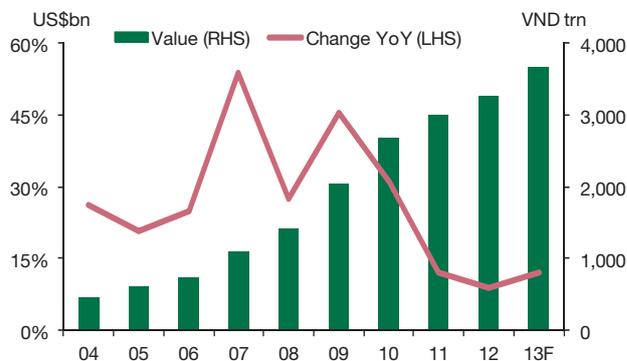
Vietnam's budget deficit was estimated at VND99 trillion for the first seven months of 2013. Revenues were up 18.2% YoY and reached VND430 trillion, or 52.6% of the full-year target. Expenditure came in at VND528 trillion (up 16% YoY), or 54% of the full-year target. The deficit accounts for 61% of the full-year target, running slightly ahead mainly due to slow revenue collection. As the economy is bottoming out we expect revenue collection to accelerate again, making the Government's 2013 target of a budget deficit of 4.8% of GDP still achievable.



Source: Ministry of Finance ("MOF")

Credit Growth

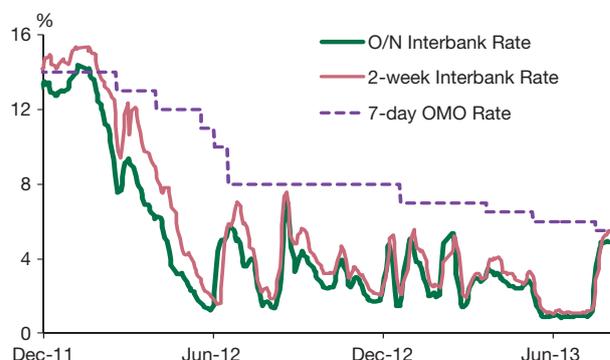
Given that inflation control remains the top priority, the Government set a low target of 12% for credit growth for 2013. Despite 2-month growth of 8.3% and deposit growth of 9.5% year-to-date (“YTD”), total credit growth reached merely 4.9%. However, this is still higher than it was during the same period in 2012 (only 0.57%). Furthermore, based on our estimates, credit growth YoY continued to accelerate from 12.3% in May to 13.9% in July. Henceforth, assuming no changes to credit accounting and the economic situation, we can expect credit growth to reach about 12-13% by the year end.



Source: SBV, IFS, Dragon Capital

Bank Liquidity

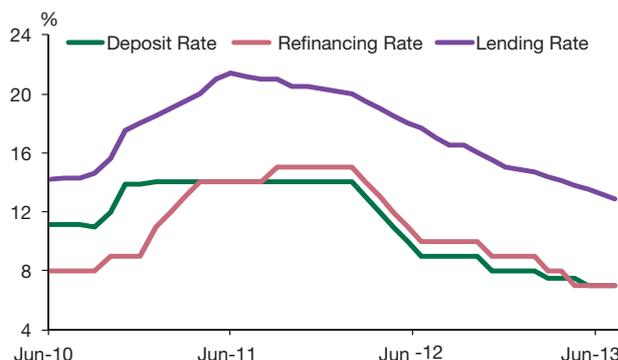
During the first half of 2013, banking system liquidity continued to be excessive as money inflow was strong whilst credit growth remained weak. This was reflected by low interbank rates during May: overnight (“O/N”) rate at below 1%, 2-week rate at 1.1% and 1-month rate at 2%. However, in July, rates spiked to 5%-6% as SBV sold FX reserves and issued T-bills to increase VND attractiveness and re-stabilise the local currency. Thereafter interbank rates stabilised below the open market operations (“OMO”) rate of 5.5% while the US\$/VND exchange rate returned to within the trading band.



Source: SBV, Dragon Capital

Monetary Policy

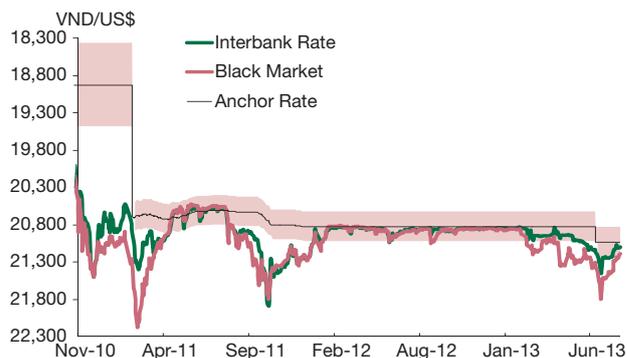
SBV’s Governor stated in a recent media meeting that in 2013 monetary policy will be conservative enough to control inflation, yet flexible enough to support growth. After the first rate cut in March, SBV reduced the VND ceiling rate for 1-month to less than 6-month to 7% and abolished the ceiling rate for 6-month or longer deposits in May. The US\$ deposit ceiling rate was also curtailed from 0.5% to 0.25% for institutions and from 2% to 1.25% for individuals. With low inflation and weak credit growth, the move is appropriate and in line with our expectation that lending rates should drop further to support growth. Lending rates have dropped to 13%-14% in the second quarter, but that is still very high vs. 9-11% before 2007.



Source: SBV, IFS, Dragon Capital

The Domestic Currency

In July, the SBV adjusted the US\$/VND reference rate down by 1% to 21,036 given the recent weakening of regional currencies. Peer currencies depreciated 7-9% in the last two months, thereby giving up most of their gains since July 2012. We do not see this adjustment as a worrying signal but as a reasonable move to better reflect market rates and maintain macro stability. Since 2011, Vietnam’s exports have continuously outperformed its peers and the YTD growth of 16.1% is still very impressive. We therefore expect Vietnam to deliver a current account surplus of US\$5-6 billion in 2013, which is a good reason for the VND to remain stable in the second half of 2013.

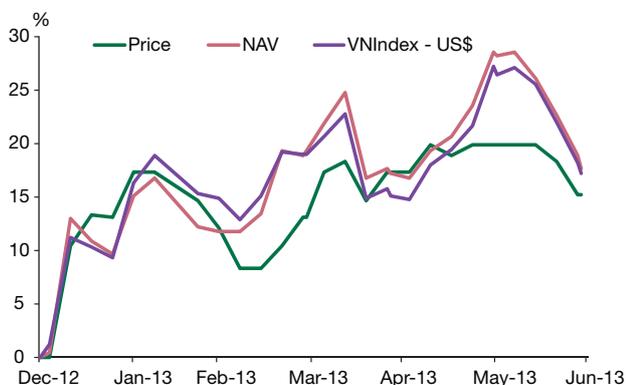


Source: SBV, Dragon Capital

INVESTMENT MANAGER'S REPORT (CONTINUED)

Fund

Fund Performance



Source: Bloomberg, Dragon Capital

In the first half of 2013, the VN Index increased by 17.2% in US\$ terms, thanks to the increased macro-economic stability which provided comfort to investors. The equity market became more attractive to local investors compared to other alternatives such as deposits or gold. Deposits lost their attraction as effective rates dropped by around 2% in the past few months whilst the outlook for gold is negative, especially as increasing gold trading regulations are diminishing opportunities. In this environment, stocks with decent growth and high cash dividends benefitted the most. The rally in the first half of 2013 was therefore driven mainly by large cap stocks with solid fundamentals in energy (PV Gas), food & beverage (Vinamilk), pharmaceuticals (Phu My Fertilizer) and materials & resources (Hoa Phat Group and Hoa Sen Group).

VEIL performed in line with the VN Index, marginally outperforming it with a NAV gain of 17.7%. The main contributor to this performance was VEIL's largest holding, namely Vinamilk, which increased by 51.2% in the first half of 2013. Vinamilk's excellent performance was driven by its strong business results, reflected in a 21% growth in net profit in the first half of 2013 despite lower purchasing power. Another key contributor was the real estate sector which delivered a return of 23.7% thanks to REE, one of VEIL's top five holdings, which was up by 54.7%. Besides, Hoa Phat Group, another top five holding in the materials & resources sector, posted a gain of 32.3%. On the negative side, diversified financials dropped by 8.9% as Masan Group performed badly, losing 14.2%. Banking remained flat with ACB, heavily weighted in VEIL, increasing by a mere 0.06%.

Attribution Analysis

Vinamilk is VEIL's largest holding with 31.6% of NAV and also the largest holding in food & beverage sector. Vinamilk is well run, has sound corporate governance practices, operates a solid business on the back of a dominant market share and has an excellent track record of consistently delivering growth and profitability, making it a preferred holding for investors. In the first half of 2013, Vinamilk's share price increased by 51.2%, contributing 12.3% to VEIL's performance.

VEIL's real estate holdings increased by 23.7% and outperformed the real estate component of the VN Index which was up 4.0%, contributing 3.2% to VEIL's return. This positive contribution was attributable to good stock picking, in particular REE. REE maintained decent growth in its traditional businesses, i.e. mechanical and electrical engineering ("M&E"), white goods and offices, while benefitting from exceptional profit from one of its largest affiliated company, Pha Lai Power. Pha Lai Power posted an extraordinary growth in net profit thanks to FX gain on its Yen-dominated loans, allowing REE to book the negative goodwill from the purchase of Pha Lai Power shares which, in turn, boosted its share price by 54.7%, thereby contributing 2.9% to VEIL's return. Hoang Anh Gia Lai has been on the right track to become a leading regional resources player and property developer. Hoang Anh Gia Lai shifted its focus to rubber and sugar cane plantations, where it has its core skill sets, and scaled down other businesses such as mining, hydro electricity and construction materials (stone and wooden furniture). However, the dilution caused by Credit Suisse's debt-for-equity swap and the listing of new shares from recent rights issue, coupled with the downtrend in rubber price, negatively affected market sentiment. Hoang Anh Gia Lai, therefore, posted a gain of only 4.7%, contributing a mere 0.47% to VEIL's performance.

Materials & resources reported an increase of 16.1%, contributing 1.9% to VEIL's return. Hoa Phat Group was the main contributor to this sector's performance with a return of 32.3%, thus adding 1.4% to VEIL's return. Hoa Phat Group had impressive results for the first half of 2013 with earnings up 83% YoY from a low base the first half of 2012. Hoa Phat Group's net margin improved significantly thanks to low cost of inventories and a significant drop in interest expenses. Phu My Fertilizer also shot up by 15.1% thanks to a highly profitable business and an attractive valuation, adding 0.8% to VEIL's performance.

Energy delivered a very high return of 39.6%, and contributed 1.0% to the fund's total return. This was mainly thanks to PV GAS which went up by 50.3%, adding 0.8% to VEIL's performance. The skyrocketing of PV GAS' share price was the consequence of its excellent business results which saw net profits up 55% in the first half of 2013 (this is the parent company's result). Last but not least, PV Drilling came in with a return of 16.0%, mainly thanks to its strong fundamentals.

VEIL holds two domestic mutual funds, i.e. VFMVF1 and VFMVF2 which are 1.5% and 0.4% of NAV respectively. VFMVF1 is expected to convert into an open-ended structure in the near future and its unjustifiably wide discount to NAV is expected to narrow significantly, anticipation of this saw VFMVF1 soar by 45.7% to contribute 0.5% to VEIL's returns. VFMVF2 is in realisation mode.

Diversified financials, heavily weighted in VEIL with 19.1% of NAV, significantly underperformed and caused a negative return of 8.9%, reducing VEIL's return by 1.3%. The main reason was the disappointing performance of Masan Group which dropped by 14.2%. In the first quarter of 2013, Masan Group posted poor results because of inventory adjustments in its consumer businesses and the high cost of new product development, which was further compounded by a slowdown in consumer demand. However, the second quarter is expected to be better for Masan Consumer, one of the two historic core businesses of Masan Group, though the official numbers have not been made available yet. For the second half, Masan Group's businesses look brighter with the introduction of new products which are expected to help grow the top-line. On the other hand, Masan Resources has just signed an off-take agreement with a German counter-party and is expected to see cash-flow and profit from the fourth quarter of 2013. The other VEIL holding in this sector, SSI, one of Vietnam's largest brokers, performed better and rose by 5.8%, contributing 0.3% to the fund's performance for the period.

Banking which accounts for 11.0% of NAV achieved a minor gain of 1.8% in the first half of 2013, contributing 0.5% to VEIL's performance. The banking sector is in a gloomy state due to NPLs. ACB, a major holding in the sector with 9.6% of NAV, was not an exception. ACB scaled down its equity investments and gold business while refocusing on its traditional business as a lender. ACB's share price was almost flat in the first half of 2013 and added only 0.2% to VEIL's return. Military Bank, the other holding in the sector with 1.5% of NAV, enjoyed better fundamentals thanks to lower NPLs and lower cost of funding and gained 5.6%, contributing 0.2% to VEIL's return.

Other holdings had mixed performances. Pharmaceuticals (Hau Giang Pharma) and Software & services (FPT) increased by 19.2% and 16.2% respectively, thanks to fairly good business results in 1H2013, while Consumer Durables (Phu Nhuan Jewelry) decreased by 19.6%. Phu Nhuan Jewelry is a leading company in the jewelry business with strong fundamentals. However, the company has been hit by unfavorable Government policies for jewelry manufacturers and weak demand for jewelry. Phu Nhuan Jewelry is therefore being traded at its lowest level for 52 weeks. However, we have seen a recovery in jewelry demand commencing in the second quarter of 2013 which has helped increase Phu Nhuan Jewelry's revenue and the odds are that Phu Nhuan Jewelry will recover as the economy bounces back.

Sector Return and Contribution

Sector	Portfolio Return	VN Index Return	Portfolio Contribution
	%	%	%
Food & beverage	51.23	38.90	12.27
Diversified financials	-8.91	-11.55	-1.29
Real estate	23.65	4.65	3.22
Banks	1.82	4.84	0.48
Materials & resources	16.14	21.45	1.88
Software & services	16.15	17.27	0.58
Energy	39.58	47.06	1.01
Pharmaceuticals	19.18	33.44	0.36
Funds	42.24	0.05	0.60
Consumer durables	-19.58	-1.48	-0.17

Outlook

Vietnam's macro-economic environment is expected to remain positive in the medium to long-term. Inflation is well under control and expected to come in at around 6% by end of 2013. GDP growth may be somewhat lower than the target of 5.2% due to the worse-than-expected growth in the commodity sector. However, lower interest rates will support growth. FDI inflows remained strong and grew 20% to US\$12 billion in the first seven months in anticipation of the signing of the free trade agreement, i.e. the TPP which will help stimulate economic growth in the future. And SSC is seeking to develop the market by gradually increasing the foreign ownership limit in selected industries.

We believe that the stock market will improve in line with macro-economic improvements. VEIL, therefore, will continue to be fully invested with a focus on large cap companies with sound fundamentals, sustainable growth and good corporate governance. Further investments will focus on both VEIL's existing holdings in targeted sectors and new investments using VEIL's stock picking criteria. Last but not least, we will continue restructuring the portfolio to reduce the concentration in top holdings and to exit private equities via trade sales.

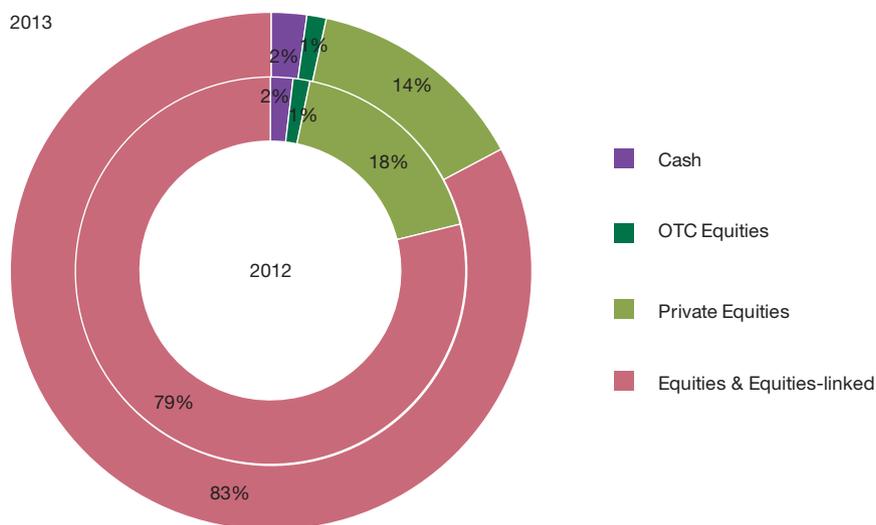


Vu Huu Dien
Investment Manager
Vietnam Enterprise Investments Limited
16 September 2013

INVESTMENT MANAGER'S REPORT (CONTINUED)

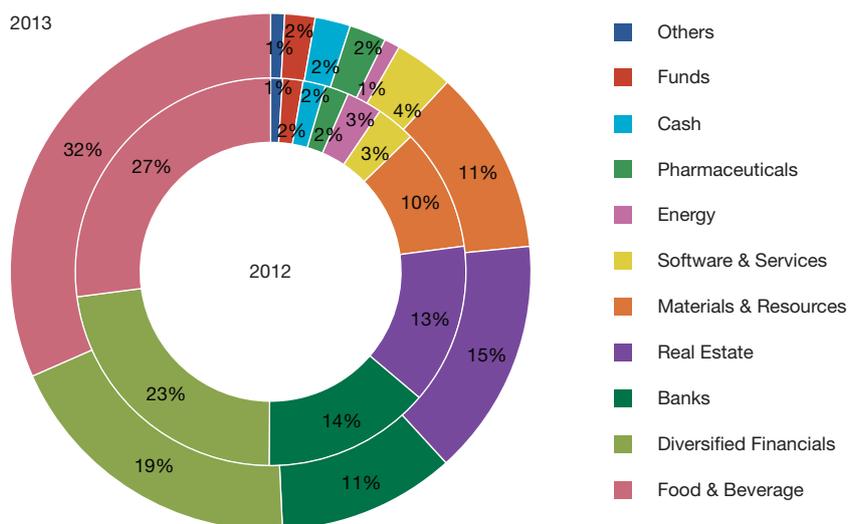
Fund

Asset Allocation by Asset Class¹



Source: Dragon Capital

Asset Allocation by Sector



Source: Dragon Capital

¹ For a full portfolio listing, please see Note 5 to the Consolidated Financial Statements

² Cash includes other receivables and liabilities

TOP FIVE HOLDINGS

Vinamilk



VINAMILK

Vinamilk is Vietnam's top dairy producer. It occupies the number one position with market share ranging from 35-90% for all its main products and has unequalled distribution, the leading national brand name and prodigiously strong finances. 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 the first half of 2013, Vinamilk's net revenue was somewhat below target at VND14,746.9 billion, or + 14.4% YoY, which was equivalent to 46.3% of its full-year target. Net profit, however, was better than expected at VND3,374 billion, or +21.5% YoY, fulfilling 54.2% of the full-year target. The lower sales were due to the drop in exports in the first quarter caused by a shortage of production capacity for milk powder as well as the weak demand in the domestic market, especially during the second quarter. Gross margins continued to improve from 33% in the first half of 2012 to 38% in the first half of 2013 owing to the cheap inventory of materials purchased last year and a better product mix which increased the contribution of high margin products. SG&A costs were well controlled at 11.6% of sales, just slightly higher than the previous year.

Market Valuation

US\$144,603,059

1H 2013 Total Return*

49.97%

* Source: Bloomberg (total return in US\$ terms in respective index)

% of Net Assets

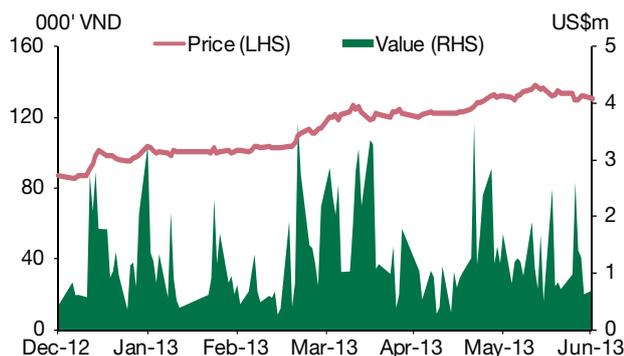
31.62%

Initial Acquisition

22 October 2003

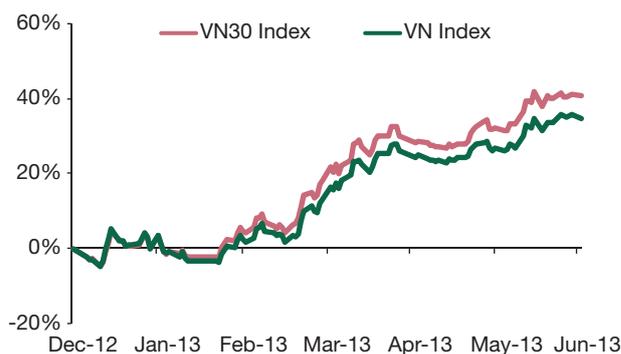
- Sales:** The slower than expected growth was mainly due to lower exports. In the first half of 2013, exports fell by 18.7% while the domestic market increased by 21.8% YoY. The reduction in exports was the consequence of Vinamilk running out of capacity for powder milk in the first quarter of 2013 which lead to a drop in export volumes by 47% during the same period. However, this was only a temporary problem as their new powder milk factory commenced operations in April 2013 which quadrupled Vinamilk's current capacity in milk powder. Export revenue therefore improved in the second quarter with growth coming in at 9% YoY and 105% 3m/3m. In the domestic market, sales growth was strong up 26% in the first quarter of 2013, but weak demand in the second quarter of 2013 dampened sales growth to 16.4% YoY.
- Gross margin:** As 70% of Vinamilk's raw materials are imported, mainly from New Zealand and Australia, gross margins are naturally exposed to world milk price fluctuations. Gross margins in the first quarter of 2013 have fortunately not suffered from the recent surge in raw milk prices. To the contrary, Vinamilk's gross margin even improved to 38% in the first half of 2013 from 33% in the first half of 2012. The reason for this was that Vinamilk fixed the price for their materials at the prevailing market price at the end of September 2012 when the price was still low. Since then, the world milk price has been on the rise. In February 2013, Vinamilk increased its selling price on average by 7% to protect its gross margin in case the world milk price rises higher than expected.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

- **Cost management:** In the first half of 2013, SG&A costs as the percentage of sales was reported at 11.6%, higher than 9.8% in the first half of 2012. This increase was a response to sluggish demand and thus an attempt to maintain growth momentum.
- **Net profit:** Thanks to the significant improvement in gross margins and well controlled costs, Vinamilk achieved an increase in net profit by 21.5% YoY in the first half of 2013 which was higher than the top line growth.
- **Capex:** In 2010, Vinamilk started its “mega project” to build three new factories with the target to double its capacity in 2013 with a total budget of VND4,713 billion. In June 2012, Vinamilk commenced operations at one factory in Da Nang which produces yoghurt and liquid milk. The second factory, Dielac 2, which produces milk powder, was also completed and started production in April 2013. The last one, the Vietnam factory, will be finished in August 2013. All these factories were financed from Vinamilk’s cash without incurring any debt.
- **Cash/debt balance:** At the end of the first half of 2013, Vinamilk had a total cash balance of VND5,773.3 billion, or 27.3% of total assets, implying cash per share of around VND6,599. Vinamilk had no debt at the end of the first half of 2013.

For the second half of 2013, we expect that the world milk price will decline as it is 50% higher than the 2012 average price. If so, it will impact Vinamilk’s gross margin during the second half of 2013 as Vinamilk will have to rely on inventories purchased earlier at high prices. Thus we forecast 2013’s full year sales at VND31,704 billion (+19.4%) and net profit of VND6,734 billion (15.7%).

At the current price of VND151,000 per share, Vinamilk is traded at 2013 price-to-earnings ratio (“PER”) of 20.8x which is getting close to its regional peers which are trading at 25x PER. Although the short-term upside will be limited in light of the recent run-up (+71.6% YTD) we remain positive for the long-term thanks to its leading position, strong fundamentals and good performance. We therefore maintain an overweight for this holding.

TOP FIVE HOLDINGS

Masan Group



Market Valuation

US\$65,774,980

1H 2013 Total Return*

-13.05%

¹ Including Masan Group's Equity and PN Holdings

² Blended return in US\$ terms combining Masan Group's Equity (Source: Bloomberg) and PN Holdings (please refer to Note 5 to the financial statements) in the Fund.

% of Net Assets

14.38%

Initial Acquisition

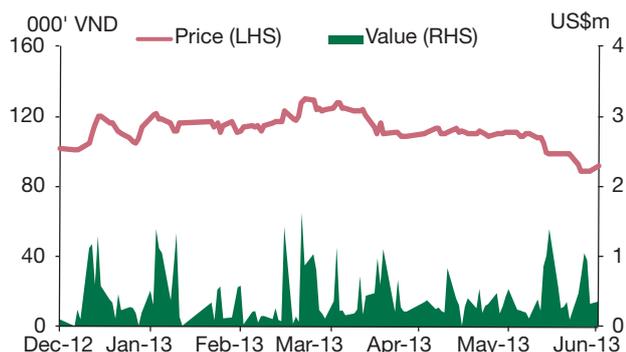
1 April 2010

Masan Group is a diversified conglomerate with three businesses. One is Masan Consumer, a consumer platform built on the historical products of sauces and noodles and complemented recently with coffee, beverages and agricultural products through acquisitions over the past two years. The other is Techcombank, a leading private-sector commercial bank and the third business is the Nui Phao natural resources mine. Masan Group holds 77.4% of Masan Consumer, 31% in Techcombank and 67.2% in Nui Phao. The Nui Phao mine is a highly strategic project which will account for half of the world's tungsten supply ex-China when it is fully operational and will also be globally significant in bismuth and fluorospar. Recently, Masan Group established a new entity, called Masan Consumer Holding to consolidate the control over Masan Group's consumer business. Masan Consumer Holding will directly own and control two consumer operating platforms: Masan Consumer (sauces, noodles, coffee and non-alcoholic beverages) and Masan Consumer Ventures (agriculture and other high growth opportunities in the consumer sector).

The result of the first half of 2013 was disappointing with sales growth of only 5% and a decline in profit by 84%. The poor performance was partially caused by heavy investment in brand-building for its new consumer products which is expected to make an impact from the second half of 2013 onwards. The other contributor to the disappointing performance was Techcombank which dropped by 43.4% in the second quarter.

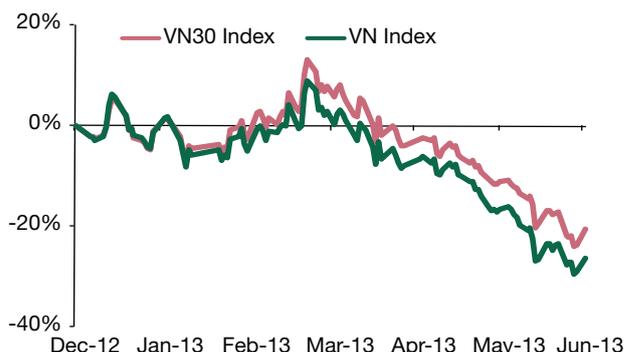
Masan Consumer: Revenue in the first half of 2013 reached VND4,354 billion up by 5%. The growth was mostly thanks to the contribution from Vinh Hao Mineral Water, the new entity in which Masan Consumer acquired a 63.5% stake by the end of the first quarter of 2013. In the second quarter, Masan Consumer made substantial investments into launching new products across its existing umbrella brands such as coffee products for Vinacafe, instant noodle products for Chinsu Foods and beverages for Vinh Hao. These investments are expected to start making contributions from the second half of 2013 onwards. Gross margin recovered to 40.0% by end of the first half of 2013 after dropping temporarily to 32.2% in the first quarter of 2013, which was only slightly lower than the 40.6% in the second quarter of 2012. Selling and administration expenses increased significantly from 13.9% of sales in the second quarter of 2012 to 16.9% in the first half of 2013, driven by the aforementioned investments into new product launches. Net financial income amounted to VND464 billion whilst profits from associates, i.e. Proconco, was VND65 billion. As a result, Masan Consumer's net profit came in at VND937.7 billion, a decrease by 15.4% YoY.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Nui Phao: The mine achieved several key milestones in the second quarter. It commenced production of tungsten and copper concentrate to international specifications, and achieved its first product sales. More recently, Nui Phao successfully produced sodium tungstate, a deep processed tungsten chemical product. Off-take contracts for tungsten are now in place with H.C. Starck, one of the leaders in the global tungsten industry, and Nui Phao Mining Joint Venture Company Limited (“Nui Phao”) announcing a joint venture for production of value-added tungsten chemicals in Vietnam. The joint venture will allow Nui Phao to capture greater value by going further down the tungsten value chain. Off-take contracts for bismuth and fluorospar are already in place.

Techcombank: Techcombank’s performance reflected the continued gloomy state of affairs in the banking sector which is suffering from NPLs. Deposit growth was flat at a marginal +0.2% and loan growth reached a meager 2.2% from December 2012 to June 2013. Lower interest rates and a tougher lending environment resulted in a reduction of the second quarter of 2013 profit after tax by 57.6% YoY to VND194 billion. Techcombank continued to maintain its focus on prudent lending, de-risking its balance sheet, improving efficiency as well as controlling costs.

Capital restructuring: Masan Group simplified its balance sheet by settling or repurchasing much of its outstanding equity-linked instruments. As a result of the Masan Group’s balance sheet simplification initiatives, Masan Group eliminated the potential dilution from approximately 67.8 million ordinary shares at a discount to market. Masan Group also aims to settle outstanding call and put options in relation to Masan Resources and outstanding promissory notes. These will result in the Group consolidating its stake in Masan Resources, and decreasing its consolidated debt.

At the current price of VND87,000 per share, Masan Group is expensive at PER of 41.1x. However, when the mine is fully operational in 2014, its income contribution will bring down the valuation to PER of 17.4x, which is more reasonable. Thus, we recommend a ‘NEUTRAL’ for Masan Group.

TOP FIVE HOLDINGS

ACB



Market Valuation	1H 2013 Total Return*
US\$43,664,491	0.39%

* Source: Bloomberg (total return in US\$ terms in respective index)

% of Net Assets	Initial Acquisition
9.55%	1 December 1996

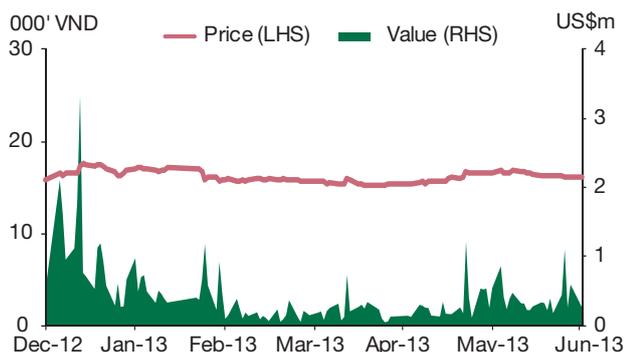
ACB was Vietnam's largest private bank by total assets and lending activities. Since partnering with Standard Chartered Bank in 2005, ACB successfully expanded its lending activities by focusing on two core segments that are the driving force for the economy and the banking sector: small and medium enterprises ("SMEs") and retail which account for 52% and 43% respectively of its total loan book. ACB used to be the most active and flexible bank in diversifying its non-lending activities and taking advantage of arbitrage opportunities between gold and foreign currency. It was the first bank to set up a formal gold trading exchange to exploit the enormous domestic appetite for gold trading as well as arbitrage opportunities of gold price discrepancies between the domestic and global market. However, since 2010 when the SBV imposed various regulations to discourage gold trading, ACB reverted back to the traditional sources of lending and fee based income.

In order to improve its net interest margin ("NIM") which was well below that of its peers during 2010-2011, ACB converted gold deposits into VND deposits. The short position in gold was fully hedged by derivative contracts offshore. However, the SBV's decision not to authorize any gold import quota from the end of April 2012 caused ACB to suffer a huge loss of US\$88.7 million from unwinding its gold position by having to buy physical gold in the domestic market in 2012 instead in the global market.

In August 2012, ACB was the first bank to get hit by the turbulence surrounding the arrest of the financial tycoon Mr. Nguyen Duc Kien, one of the bank's founders, for wrongdoings in connection with three of his private firms. Subsequently, the chief executive, Mr. Ly Xuan Hai was also detained for four months to conduct further investigations on suspicion of committing economic wrongdoing. Three other key members including the Chairman and two Vice Chairmen resigned from the board of directors and, as a result, four new members, including a new CEO were appointed.

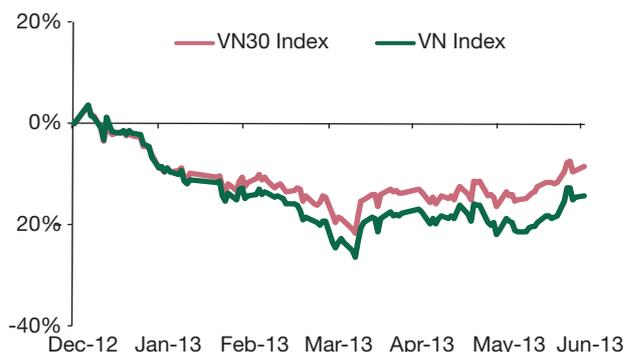
ACB took prompt measures to overcome the crisis by introducing significant changes to both operations and management of the bank. The resulting deleveraging process reduced the bank's total assets by 37.3% from US\$13.4 billion at the end of 2011 to US\$8.4 billion at the end of 2012. Its loans remained flat at US\$4.9 billion while total deposits decreased by 11.9% to US\$6.0 billion. ACB's measures also included the introduction of a stricter approach to the classification of its loans, leading to 7.8% of the total loan book being recognised as overdue and 2.5% as NPLs at the end of 2012. As a consequence, ACB's 2012 earnings plummeted massively with net profit before tax coming in at only US\$49.7 million, down 75.2% YoY.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

For first half of 2013, ACB reported a decline of 55.5% YoY in net profit due to a significant contraction in net interest income which dropped by 36.8% YoY. Lending yields fell at a faster pace as the bank cut rates to push retail loan growth while funding costs were only slightly reduced as ACB had to replace its cheap gold deposits with higher cost VND deposits. As a result, NIM contracted from 3.5% in the first half of 2012 to 3.0% in the first half of 2013. ACB continued its deleveraging process in the first half of 2013, reducing interest earning assets further by 23% YoY as it reduced its interbank exposure from US\$2.7 billion in the first half of 2012 to only US\$0.5 billion in the first half of 2013.

After losing some of its market share following the August 2012 events ACB is on its way to recovery. At the end of June 2013, outstanding loans were up 7.5% YTD while customer deposits surged 13.4% YTD. ACB also divested its equity holdings in listed shares and unlisted banks to increase its holdings in government bonds. The cost base was managed more effectively and operating expenses contracted by 10.3% mainly thanks to salary cuts of 31.1% YoY to lower the cost-to-income ratio from 73.2% at the end of 2012 to 59.0%. NPLs kept increasing to 2.99% while overdue loans were up 28.5% compared to end of 2012.

For 2013, we expect ACB's operating income to decrease by 4.8% YoY based on the assumption that net interest income will contract by 37.7% YoY driven by a drop of NIM by 100bps. The drop in NIM is caused by the bank's decision to lower loan yields to attain the 12% credit growth target while deposit growth is expected to stay at 15%. The operating expenses are forecasted to drop by 22% while provisions after write-offs will jump 36% to account for impairment losses for exposure relating to Mr. Kien, overdue deposits at Vietinbank and Vinalines. As a result, 2013 profit before tax is forecasted to increase 41% YoY to US\$70.0 million which is still significantly below pre-crisis level.

The speed of asset deleveraging and the closing of gold positions has made ACB's balance sheet cleaner and healthier. ACB, therefore, will be in a better position to move forward with its new and experienced management team and, in a few years, deliver excellent profit again. At the price of VND15,600 per share, ACB is trading at 2013 PER of 13.3x and price-to-book ratio of 1.1x.

TOP FIVE HOLDINGS

REE



Market Valuation	1H 2013 Total Return*
US\$33,407,496	55.16%

* Source: Bloomberg (total return in US\$ terms in respective index)

% of Net Assets	Initial Acquisition
7.30%	1 July 1996

REE is a diversified business group with the following core businesses, 1) M&E where REE is a leading mechanical and electrical engineering contractor, 2) air-conditioning where Reetech is one of the biggest local air-conditioners manufacturers, 3) utilities where the company focuses on electricity, coal and water and 4) real estate where the company is one of the pioneering and major grade B local office leasing and services providers, providing the group with stable cash flow.

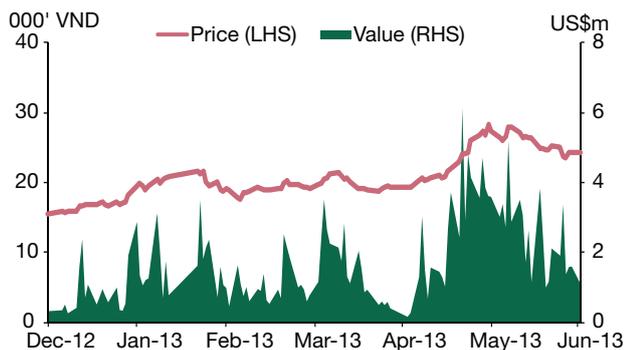
In the first half of 2013, REE recorded a net profit growth of 58% on a slight revenue decline of 5%. This was mainly due to the contribution of profit from associates which accounted for more than 50% of the profit before tax. Gross profit also improved despite the decrease in revenue as a result of a higher contribution from M&E which delivers higher gross margins than the electrical appliances segment.

All business lines either achieved or surpassed the targets set by the management for the first half of 2013. M&E, electrical appliances and real estate all met the plans for net profit with good growth rates compared with the same period last year. In particular, for the first half of 2013, M&E reached 60% of the year-end target while Reetech delivered 50%. Both M&E and Reetech successfully underwent a cost saving period, resulting in a 400bps higher gross margin. Meanwhile, office leasing maintained a very high occupancy rate at 98% of the total area of 101,843ha, making it the largest local player in this field, with an equally good cash collection rate of 95%. Last but not least, REE's investment activities brought in around US\$20 million of profit from associates plus US\$4 million dividends in cash, realizing 150% of the full-year target.

REE is cash rich with a high exposure to financial investments which represent 60% of assets and 88% of shareholder's equity. More importantly, as a result of its equity acquisition strategy in the utilities industry, REE has become one of the major private indirect owners of electricity with a generation capacity of 481MW, an increase of 20% compared with the end of 2012. Another utility is water where REE has an indirect ownership of a capacity of 216,000m³ per day. Coal companies account for a small but growing share in REE's portfolio. The combined book is carried at US\$184 million. The portfolio's sector allocation comprises 71% in electricity and coal, 16% in water, 10% in real estate and 2.7% in other small holdings. REE's strategy is to continue to increase its ownership in power and coal companies to as much as above 50% wherever possible. By the end of the first half 2013, the market value of the associated power companies in the portfolio alone, which make up 43% of the total investment book, was 64% higher than at the end of 2012.

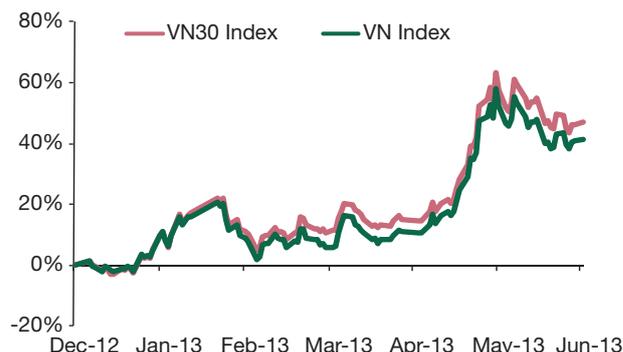
Given the good performance in the first half of 2013, the management is confident that they will be able to bypass the target with a bottom line growth rate of at least 50%.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Over the past several years, REE has constantly presented investors with a relatively high return on equity (“ROE”) of above 12%. Compound annual growth rate from 2007-2012 has been good at 17% p.a. The debt-to-equity ratio is safe at 55% and expected to be reduced in the future thanks to a higher equity base. Furthermore, dividends have been paid out every single year at a relatively good yield. REE’s focus in the long term remains to build up a sustainably growing business while delivering a high return on investors’ capital. Given the management’s proven track record to be able to adjust to different business conditions this bodes well for the good performance to continue well into the future.

REE is a valuable holding for any portfolio with a long term focus. Looking forward, the company will continue to benefit from the core businesses, namely M&E, real estate and Reetech which all provide steady cash flow. Furthermore, the company’s holdings in utilities provide the group with a strong position in any economic condition, not to mention that electricity, coal and water sectors will flourish as and when the Government starts liberalising pricing in the future. At the current price of VND25,800 per share, REE is being traded at a core PER for the year 2013 of 8.2x, a yield of 4.7% and PBR for the year 2013 of 1.4x.

TOP FIVE HOLDINGS

Hoa Phat Group



Market Valuation	1H 2013 Total Return*
US\$25,829,766	32.52%

* Source: Bloomberg (total return in US\$ terms in respective index)

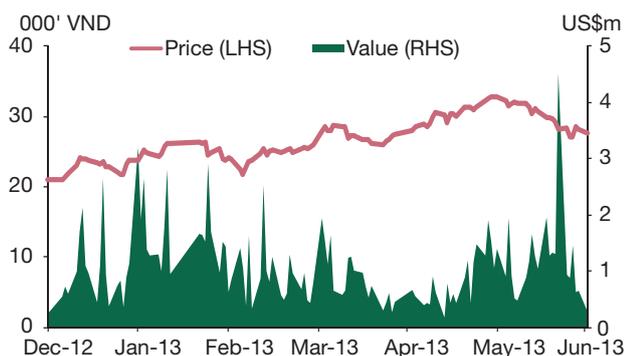
% of Net Assets	Initial Acquisition
5.65%	18 June 2009

Hoa Phat Group is Vietnam's leading industrial manufacturer which produces a wide range of products from rebar and pipes to machinery equipment, refrigeration and furniture. Despite engaging in a number of different businesses, the company has always focused on its core business, i.e. the steel segment, which accounts for around 80% of Hoa Phat Group's revenue and 70% of profit. Hoa Phat Group is currently the most profitable steelmaker in Vietnam despite being ranked second in terms of market share for construction steel. Hoa Phat Group is known as the best in the industry in terms of cost control thanks to its vertically integrated production being able to make billet with iron ore from its own mines. This has enabled Hoa Phat Group to weather the construction and property market slowdown over the past few years much better than its peers.

Despite the current gloomy state of the property and steel markets, Hoa Phat Group recorded an impressive result for the first half of 2013 with net profit of VND969 billion (+134% YoY) amid a slight drop in revenue to VND8,279 billion (-4% YoY). The decline in the top line was mainly due to the falling steel price as the selling price of rebar dropped by about 11% YoY to VND13,500 per kg by June 2013. This was mainly caused by a drop in the international price of iron ore, which fell 15% YoY and 23% YTD as a result of the slowdown in China, the world's largest supplier as well as consumer of steel.

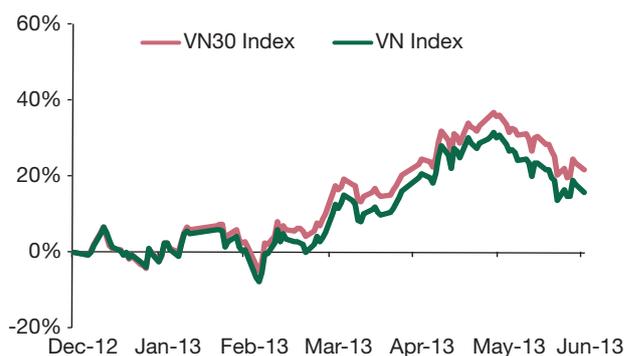
Despite the declining steel price, Hoa Phat Group managed to raise its net margin significantly to 11.7% in the first half of 2013 from 6.2% in the first half of 2012. This first half year profit beat even the most optimistic forecasts, and fulfilled 81% of Hoa Phat Group's full year target. Gross margin increased to 18.4% from 14.3% thanks to low-cost inventories across all business segments (from steel to furniture). It is worth noting that margins in 2012 were squeezed due to weak demand for products and hence prices were lowered to stimulate demand. However, volumes still declined while input costs did not fall much. From this very low base, the bottom line was further boosted by significant improvements in financials thanks to the combination of both higher financial income and lower financial expenses. During the first half of 2013, financial income rose to VND202 billion from only VND62 billion last year as Hoa Phat Group booked an exceptional gain of over VND100 billion from divesting a stake in a subsidiary company that engages in mineral exploitation. On the other hand, financial expenses fell by 29% YoY to VND268 billion as lending rates dropped to 8% this year from 12% a year earlier.

Stock Price



Source: Dragon Capital, Bloomberg

Price Relative



Source: Dragon Capital, Bloomberg

Steel accounted for 78% of Hoa Phat Group's total revenue and 73% of profit in the first half of 2013, delivering a whopping profit growth of 173% YoY to VND625 billion from a very low base the first half of 2012. Margins in the steel segment improved significantly to 12.3% from 4.3% thanks to cheap inventory as raw materials were bought at very low cost. In addition, the integrated steel complex also ran more efficiently in its third year of operation, helping to boost margins. In the first half of 2013, Hoa Phat Group's sales volume of rebar grew by 5% YoY to 323k tons – compared to the 1% growth of the industry as a whole. As the steel sector consolidates, Hoa Phat Group saw market share rising steadily to 14.5% (from 8.6% at the end of 2009). Consequently, Hoa Phat Group has narrowed the gap to the leader Pomina who currently holds a market share of about 16%.

Looking forward, Hoa Phat Group has very strong upside catalysts for significant earnings growth in the next few years. First, the sale of Mandarin Garden will boost revenue by a total of VND5,000 billion and add VND500 billion to the bottom line. Until now, Hoa Phat Group has sold about 750 apartments, or 75% of total units offered. This year, Hoa Phat Group intends to book VND100 billion of profit from this project, with the expectation that 150 apartments will be handed over to customers in 2013. Second, Hoa Phat Group will benefit from capacity expansion when Phase 2 of the steel complex starts operating in September. Total capacity will be raised to 1,150,000 tons from the current 650,000 tons. With its cost leadership strategy, Hoa Phat Group will be able to grab market share from smaller players as the sector consolidation continues. Hoa Phat Group expects to steadily gain and capture up to 20% of the market in the next few years, as outdated plants with obsolete technology will gradually vanish. Therefore, for the year 2013, we forecast revenue to grow +10.8% YoY to VND18,645 billion and net profit after tax (“NPAT”) to reach VND2,134 billion (+115% YoY). From this high base, the year 2014 will still be another solid year with forecasted revenue to grow significantly by +33% to VND25,472 billion. However, profit growth will slow down as booking of the Mandarin Garden project will drag down margins. NPAT is forecast to grow +12% YoY to over VND2,432 billion.

At current price, Hoa Phat Group is trading at a 2013 PER of 6.1x and 2014 PER of only 5.4x while offering a dividend yield of 6.5%. This is attractive compared to market PER of 11.5x. In addition, ROE will recover from a low 12.3% in 2012 to above 22% in the coming years. Given Hoa Phat Group's solid fundamentals and strong prospects, we maintain an overweight position in this holding.

REPORT OF THE BOARD OF DIRECTORS

The Directors of the Company present their report and the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries and jointly controlled entities (together referred to as the “Group”) for the six months ended 30 June 2013.

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 securities in or focused on Vietnam.

Results and Dividends

The Group’s consolidated profit for the six months ended 30 June 2013 and its condensed consolidated financial position at that date are set out in the attached unaudited 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 2013 (2012: Nil).

Share Capital

Details of movements in the Company’s share capital during the six months ended 30 June 2013 are set out in the condensed consolidated changes in equity and in Note 6 to the condensed consolidated financial statements. The Company had 163,106,529 Redeemable Shares and 1,000 Management Shares outstanding as at 30 June 2013 (31 December 2012: 168,487,420 Redeemable Shares and 1,000 Management Shares).

Directors

The Directors of the Company during the year were:

Non-executive Directors:

Dominic Scriven
Farida Khambata

Independent non-executive Directors:

Wolfgang Bertelsmeier
Hartmut Giesecke
Derek Eu-Tse Loh

Directors’ Rights to Acquire Shares or Debentures

At no time during the period was the Company a party to any arrangement to enable the Company’s Directors or their respective spouses 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 has indirect interests in the share capital of the Company as he is a shareholder of Dragon Capital Group Limited, which is the parent company of Dragon Capital Limited which holds the Management Shares of the Company. Dragon Capital Group Limited is also the ultimate parent company of Dragon Capital Markets Limited and Enterprise Investment Management Limited, the Investment Manager of the Company. As at 30 June 2013, Dragon Capital Markets Limited beneficially held 2,464,368 Redeemable Shares of the Company for investment and proprietary trading purposes (31 December 2012: 2,381,407 Redeemable Shares).

Apart from the above, no other Directors had a direct or indirect interest in the share capital of the Company, or its underlying investments at the end of the period, or at any time during the period.

Directors’ Interests in Contracts

Dominic Scriven has indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited as he was a director of Enterprise Investment Management Limited during the period. 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 period or at any time during the period.

Substantial Shareholders

At 30 June 2013, the Company’s register of shareholders showed that the following shareholders held more than a 10% interest in the issued Redeemable Share capital of the Company.

Registered shareholders	Number of Redeemable Shares held	% of total Redeemable Shares in issue
Citivic Nominees Limited	129,919,392	74.74
Clearstream Banking SA	43,893,607	25.25

Subsequent Events

Details of the significant subsequent events of the Group are set out in Note 11 to the unaudited condensed consolidated interim financial statements.

Auditors

KPMG Limited, Vietnam

Directors' Responsibility in Respect of the Unaudited Condensed Consolidated Interim Financial Statements

The Board of Directors is responsible for ensuring that the unaudited 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 2013 and of its consolidated financial performance and consolidated cash flows for the six months then ended. When preparing these unaudited 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 ("IFRS") 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 unaudited 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 unaudited condensed consolidated interim financial statements.

The Board of Directors is also responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the condensed consolidated interim 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 unaudited 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 Unaudited Condensed Consolidated Interim Financial Statements

The Board of Directors hereby approves the accompanying unaudited condensed consolidated interim financial statements which give a true and fair view of the consolidated financial position of the Group as of 30 June 2013, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows for the six months then ended in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

By Order of the Board



Dominic Scriven, OBE
Director
Vietnam Enterprise Investments Limited
16 September 2013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013 (Unaudited)

	Note	30 June 2013 US\$	31 December 2012 US\$	% Change
CURRENT ASSETS				
Financial assets at fair value through profit or loss	5	447,410,300	394,051,818	
Balances due from brokers		26,349	-	
Other receivables		10	72,117	
Cash and cash equivalents		11,082,282	9,073,775	
		458,518,941	403,197,710	13.72
CURRENT LIABILITIES				
Accounts payable and accruals		1,135,695	1,646,102	
		1,135,695	1,646,102	(31.01)
NET ASSETS		457,383,246	401,551,608	13.90
EQUITY				
Issued share capital	6	1,631,075	1,684,884	
Share premium	6	336,549,378	347,835,682	
Retained earnings		119,202,793	52,031,042	
TOTAL EQUITY		457,383,246	401,551,608	13.90
NUMBER OF REDEEMABLE SHARES IN ISSUE	6	163,106,529	168,487,420	(3.19)
NET ASSET VALUE PER REDEEMABLE SHARE	7	2.80	2.38	17.65

Approved by the Board of Directors on 16 September 2013.



Dominic Scriven, OBE
Director
Vietnam Enterprise Investments Limited
16 September 2013

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013 (Unaudited)

	Note	For the six months ended 30 June 2013 US\$	For the six months ended 30 June 2012 US\$
INCOME			
Interest income		34,230	174,958
Dividend income		8,053,046	11,606,095
Net changes in fair value of financial assets at fair value through profit or loss		55,318,701	70,191,372
Gains/(losses) on disposals of investments		9,031,595	(10,467,418)
Other income		91	-
TOTAL INCOME		72,437,663	71,505,007
EXPENSES			
Administration fees		(208,228)	(173,995)
Custodian fees		(112,985)	(102,342)
Directors' fees	9	(72,032)	(42,657)
Management fees	9	(4,588,773)	(3,880,676)
Legal and professional fee expenses		(50,783)	(47,606)
Other operating expenses		(101,477)	(115,826)
TOTAL EXPENSES		(5,134,278)	(4,363,102)
NET PROFIT BEFORE EXCHANGE GAINS/(LOSSES) FOR THE PERIOD		67,303,385	67,141,905
EXCHANGE GAINS/(LOSSES)			
Net foreign exchange gains/(losses)		(131,634)	60,432
PROFIT BEFORE TAX		67,171,751	67,202,337
Income tax		-	-
NET PROFIT/(LOSS) AFTER TAX FOR THE PERIOD		67,171,751	67,202,337
Other comprehensive income for the period		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		67,171,751	67,202,337
NET PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE REDEEMABLE SHAREHOLDERS		67,171,751	67,202,337
BASIC EARNINGS PER REDEEMABLE SHARE	8	0.41	0.39

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013 (Unaudited)

	Issued share capital US\$	Share premium US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2013	1,684,884	347,835,682	52,031,042	401,551,608
Total comprehensive income for the period:				
Net profit for the period	-	-	67,171,751	67,171,751
Transactions with shareholders, recognised directly in equity:				
Repurchase of Redeemable Shares (Note 6)	(53,809)	(11,286,304)	-	(11,340,113)
Balance at 30 June 2013	1,631,075	336,549,378	119,202,793	457,383,246
Balance at 1 January 2012	1,681,117	345,762,725	(17,311,477)	330,132,365
Total comprehensive income for the period:				
Net profit for the period	-	-	67,202,337	67,202,337
Transactions with shareholders, recognised directly in equity:				
Reissuance of treasury shares (Note 6)	57,123	11,734,869	-	11,791,992
Balance at 30 June 2012	1,738,240	357,497,594	49,890,860	409,126,694

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013 (Unaudited)

	For the six months ended 30 June 2013 US\$	For the six months ended 30 June 2012 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	67,171,751	67,202,337
Adjustments for:		
Dividend income	(8,053,046)	(11,606,095)
Bank interest income	(34,230)	(174,958)
(Gains)/losses on disposals of investments	(9,031,595)	10,467,418
Changes in fair value of financial assets at fair value through profit or loss	(55,318,701)	(70,191,372)
Other income	(91)	-
	(5,265,912)	(4,302,670)
Change in receivables and balances due from brokers	45,849	(2,025,989)
Change in accounts payable and accruals	(510,407)	(3,272,634)
	(5,730,470)	(9,601,293)
Proceeds from disposals of investments	30,158,946	58,462,345
Purchases of financial assets at fair value through profit or loss	(19,167,132)	(72,203,115)
Dividends received	8,053,046	11,208,362
Interest received	34,230	198,573
Net cash generated from/(used in) from operating activities	13,348,620	(11,935,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for repurchase of Redeemable Shares	(11,340,113)	-
Proceeds from reissuance of treasury shares	-	11,791,992
Net cash (used in)/generated from financing activities	(11,340,113)	11,791,992
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,008,507	(143,136)
Cash and cash equivalents at the beginning of the period	9,073,775	8,639,283
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	11,082,282	8,496,147

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013 (Unaudited)

These notes form an integral part of and should be read in conjunction with the accompanying unaudited 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 Company's Redeemable Shares are listed on the Irish Stock Exchange. The Company is established for an unlimited duration. At the Annual General Meeting ("AGM") held on 5 October 2012, a special resolution to wind up the Company ("Wind Up Resolution") on 31 December 2014 was put to the meeting but was not passed. At the same AGM, a special resolution was passed to amend the Company's Memorandum and Articles of Association (the "Articles") to lengthen the interval between the Wind Up Resolutions as required by the Articles from two yearly periods to five yearly periods. Therefore, the next Wind Up Resolution will be put to shareholders at the AGM in 2017 to wind up the Company effective 31 December 2019.

As at 30 June 2013 and 31 December 2012, the Group had no employees. The unaudited condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2013 comprise the financial statements of the Company, its subsidiaries and jointly controlled entities.

As at 30 June 2013 and 31 December 2012, the Company had the following investments in subsidiaries and jointly controlled entities, for the purpose of investment holding:

Subsidiaries and jointly controlled entity	Country of Incorporation	Principal activities	% ownership
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%

2. Basis of Preparation

(a) Statement of compliance

The Group's unaudited condensed consolidated interim financial statements as at and for the six months ended 30 June 2013 have been prepared in accordance with 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 2012.

(b) Use of estimates and judgments

The preparation of the unaudited condensed consolidated interim financial statements requires the 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 unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the sources of estimation were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2012.

3. Summary of Significant Accounting Policies

Except as described below, the accounting policies applied by the Group in these unaudited 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 2012. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

Changes in accounting policies

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 *Consolidated Financial Statements* (2011) (see (i))
- IFRS 13 *Fair Value Measurement* (see (ii))
- Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* (see (iii))
- Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* (see (iv)); and
- Annual Improvements to IFRS 2009–2011 Cycle (see (v)).

The nature and the effect of the changes are further explained below.

(i) Subsidiaries

As a result of IFRS 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In particular, IFRS 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

The Group is reassessing the control conclusion for its investees at 1 January 2013.

(ii) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*.

The Group has not included these disclosures in the notes to the interim financial statements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(iii) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its condensed consolidated statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

The adoption of the amendment to IAS 1 had no impact on the condensed consolidated statement of profit or loss and other comprehensive income as there was no other comprehensive income during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013 (Unaudited)

3. Summary of Significant Accounting Policies (Continued)

(iv) Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities* requires the disclosures about the effect or potential effects of offsetting financial assets and financial liabilities and related arrangements on an entity's financial position. The amendments are required to be applied retrospectively.

The Group has not included these disclosures in the interim financial statements.

(v) Segment information

The amendment to IAS 34 clarifies that the Group needs to disclose the measures of total assets and liabilities for a particular reportable segment only if the amounts are regularly provided to the Group's chief operating decision maker, and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The adoption of the amendment to IAS 34 had no impact on the interim financial statements as the Group is organised and operates as one operating segment.

4. Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the Group as at and for the year ended 31 December 2012.

5. Financial Assets at Fair Value through Profit or Loss

	30 June 2013	31 December 2012
	US\$	US\$
Listed investments:		
Investments, at cost	235,385,104	230,472,391
Unrealised gains	143,455,642	86,009,097
At fair value	378,840,746	316,481,488
Unlisted investments:		
Investments, at cost	41,769,381	48,642,313
Unrealised gains	26,800,173	28,928,017
At fair value	68,569,554	77,570,330
Total investments at fair value	447,410,300	394,051,818

As at 30 June 2013, the Group held the following listed and unlisted investments:

<u>Listed investments</u>	Sector	Fair value US\$	NAV %
Overseas listed equities			
Besra	Materials & Resources	598,614	0.13
		598,614	0.13
Vietnam listed equities			
Vinamilk	Food & Beverage	144,603,059	31.62
ACB	Banks	43,664,491	9.55
REE	Real Estate	33,407,496	7.30
Hoa Phat Group	Materials & Resources	25,829,766	5.65
Hoang Anh Gia Lai	Real Estate	23,911,380	5.23
SSI	Diversified Financials	21,683,947	4.74
Phu My Fertilizer	Materials & Resources	20,876,680	4.56
FPT Corporation	Software & Services	16,757,331	3.66
Hau Giang Pharma	Pharmaceuticals	10,515,779	2.30
Masan Group	Diversified Financials	8,620,916	1.88
VFMVF1	Funds	7,036,076	1.54
Military Bank	Banks	6,784,464	1.48
PV Gas	Energy	4,452,556	0.97
BCCI	Real Estate	4,013,043	0.88
Phu Nhuan Jewelry	Consumer Durables	3,942,094	0.86
Sudico	Real Estate	2,143,054	0.47
		378,242,132	82.69
Total listed investments at fair value		378,840,746	82.82
Unlisted investments			
	Sector	Fair value US\$	NAV %
OTC Equities			
Hoang Anh Rubber	Materials & Resources	5,517,567	1.21
		5,517,567	1.21
Private equities			
PN Holdings	Diversified Financials	57,154,064	12.50
Beaubien	Real Estate	4,295,984	0.94
VFMVF2	Funds	1,598,189	0.35
		63,048,237	13.79
Warrants			
FPT Warrant	Software & Services	3,750	0.00
		3,750	0.00
Total unlisted investments at fair value		68,569,554	15.00

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013 (Unaudited)

6. Issued Share Capital

	30 June 2013 US\$	31 December 2012 US\$
Authorised		
50,000,000 Redeemable Shares at par value of US\$0.01 each	5,000,000	5,000,000
20,000,000 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
	<u>8,000,010</u>	<u>8,000,010</u>
Issued and fully paid		
173,823,000 (31 December 2012: 173,823,000) 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
Outstanding issued share capital in circulation	<u>1,738,240</u>	<u>1,738,240</u>

Movements in Redeemable Share capital during the period/year were as follows:

	Shares	2013 US\$	Shares	2012 US\$
Balance at the beginning of the period/year	168,487,420	1,684,874	168,110,672	1,681,107
Redeemable Shares repurchased during the period/year	(5,380,891)	(53,809)	(5,335,580)	(53,356)
Redeemable Shares reissued during the period/year	-	-	5,712,328	57,123
Balance at the end of the period/year	<u>163,106,529</u>	<u>1,631,065</u>	<u>168,487,420</u>	<u>1,684,874</u>

Movements in share premium during the period/year were as follows:

	2013 US\$	2012 US\$
Balance at the beginning of the period/year	347,835,682	345,762,725
Share premium from Redeemable Shares repurchased during the period/year	(11,286,304)	(9,661,912)
Share premium from Redeemable Shares reissued during the period/year	-	11,734,869
Balance at the end of the period/year	<u>336,549,378</u>	<u>347,835,682</u>

During the six months ended 30 June 2013, the Company purchased through Rickmansworth Ltd., a dedicated wholly owned subsidiary of the Company, 5,380,891 Redeemable Shares. Rickmansworth Ltd has not sold, during the same period, any Redeemable Shares.

7. Net Asset Value per Ordinary Share

The calculation of the NAV per Redeemable Share is based on the net assets attributable to the Redeemable Shareholders of the Company as at 30 June 2013 of US\$457,383,246 (31 December 2012: US\$401,551,608) and the number of Redeemable Shares in issue as at that date of 163,106,529 shares (31 December 2012: 168,487,420 shares).

8. Basic Earnings/(losses) per Redeemable Share

The calculation of basic earnings per Redeemable Share for the six months ended 30 June 2013 is based on the net profit for the six months ended 30 June 2013 attributable to the Redeemable Share of US\$67,171,751 (six months ended 30 June 2012: US\$67,202,337) and the weighted average number of Redeemable Shares of 164,480,032 shares (six months ended 30 June 2012: 172,261,176 shares) in issue during the six months ended 30 June 2013.

9. Transactions with Related Parties

(a) Directors' interests in shares

Dominic Scriven has indirect interests in the share capital of the Company as he is a shareholder of Dragon Capital Group Limited, which is the parent company of Dragon Capital Limited which holds the Management Shares of the Company. Dragon Capital Group Limited is also the ultimate parent company of Dragon Capital Markets Limited and Enterprise Investment Management Limited, the Investment Manager of the Company. As at 30 June 2013, Dragon Capital Markets Limited beneficially held 2,464,368 Redeemable Shares of the Company for investment and proprietary trading purposes (31 December 2012: 2,381,407 Redeemable Shares).

Apart from the above, no other Directors had a direct or indirect interest in the share capital of the Company, or its underlying investments at the end of the period, or at any time during the period.

(b) Directors' interests in contract

Dominic Scriven has indirect interests in the investment management agreement between the Company and Enterprise Investment Management Limited as he was a Director of Dragon Capital Management Limited during the six months ended 30 June 2013. 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 period or at any time during the period.

(c) Directors' fees

During the six months ended 30 June 2013, the Directors, with the exception of Dominic Scriven, earned US\$72,032 (during the six months ended 30 June 2012: US\$42,657) for their participation on the Board of Directors of the Company.

(d) Management fees

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 six months ended 30 June 2013, total management fees amounted to US\$4,588,773 (six months ended 30 June 2012: US\$3,880,676). As at 30 June 2013, the management fee payable to the Investment Manager was US\$801,004 (31 December 2012: US\$654,779).

(e) Incentive fees

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 ("R"), provided that R is a positive figure and that the value of S in the calculation exceeds the highest value of S by reference to the incentive fee paid in any previous year:

$$R = S - U,$$

where:

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

S is the NAV of the Redeemable Shares on the last valuation day in that accounting period (adjusted upward by any accruals of incentive fees payable that are reflected in the NAV) plus the NAV of all distribution made in respect of such shares in all prior years (by way of dividend, or return of capital or otherwise);

U is an amount equal to the sum of:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2013 (Unaudited)

9. Transactions with Related Parties (Continued)

- a) The NAV of the Redeemable Shares as at the end of the accounting period in respect of which the most recent incentive fee was actually paid compounded at the rate of 8% per annum with effect from the valuation day by reference to which that incentive fee was calculated; and
- b) Either (i) the NAV of the Conversion Shares as at the end of the accounting period in respect of which the most recent incentive fee was actually paid, compounded at the rate of 8% per annum with effect from the valuation day by reference to which that incentive fee was calculated; or (ii) if no incentive fee has previously been due and payable in respect of the Conversion Shares, an amount equal to any amounts of capital raised by the issue of Conversion Shares, exclusive of placing fees, compounded at the rate of 8% per annum with effect from the date of issue of those Conversion Shares until the last valuation day in that accounting period; and
- c) Any amount of capital raised by the issue of new Redeemable Shares during the period since the valuation day referred to at (a) above, exclusive of placing fees, compounded at the rate of 8% per annum with effect from the date of issue of those shares until the last valuation day in that accounting period.

In order for the incentive fee to be payable in respect of the six months ended 30 June 2013, the NAV per the Redeemable Shares of the Company as at 30 June 2013 needed to exceed US\$8.61 (31 December 2012: US\$7.98). As at 30 June 2013, the NAV of the Redeemable Shares of the Company was US\$2.80 (31 December 2012: US\$2.38).

No incentive fee was incurred during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil) as the conditions were not met.

10. Contingencies

Under the current law of the Cayman Islands and the British Virgin Islands, the Company, its subsidiaries and jointly controlled entity are not required to pay any taxes in the Cayman Islands and the British Virgin Islands on either income or capital gains and no withholding taxes will be imposed on distributions to its shareholders or on the winding-up of the Company. The Company is subject to 5% withholding tax on the interest received from any Vietnamese companies. Dividends remitted by Vietnamese investee companies to foreign investors are not subject to withholding taxes.

Although the Company, its subsidiaries and jointly controlled entity are not incorporated in Vietnam, its activities are primarily focused on Vietnam. In accordance with the prevailing tax regulations in Vietnam, if an entity was treated as having a permanent establishment, or as otherwise being engaged in a trade or business in Vietnam, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax in Vietnam. As at the date of this report the following information is uncertain:

- Whether the Company, its subsidiaries and jointly controlled entity are considered as having permanent establishments in Vietnam;
- The amount of tax that may be payable, if the income is subject to tax; and
- Whether tax liabilities (if any) will be applied retrospectively.

The implementation and enforcement of tax regulations in Vietnam can vary depending on numerous factors, including the identity of the tax authority involved. The administration of laws and regulations by government agencies may be subject to considerable discretion, and in many areas, the legal framework is vague, contradictory and subject to interpretation. The Directors believe that it is unlikely that the Group will be exposed to tax liabilities in Vietnam, and in the worst case, if tax is imposed on income which has arisen in Vietnam it will not be applied retrospectively.

11. Subsequent Events

(a) PN Holdings restructuring

On 22 August 2013, Vietnam Resource Investments (Cayman) Limited (“VRICL”), Masan Group and Masan Horizon Corporation (“MH”) entered into a Masan Call Option and MH Promissory Notes Settlement Agreement whereas VRICL will cancel its currently held MH Promissory Notes, subject to the Vietnam Securities Depository registration, in exchange for VND848,772,081,200 and Masan Group shall issue to VRICL 29,770,465 Masan Group shares together with all rights attaching to the Masan Group shares for VND893,444,296,000 on or before 20 September 2013.

The MH Promissory Notes comprise of four exchangeable promissory notes with face value of US\$25,000,000 each and one exchangeable promissory note with face value of US\$3,280,000.

As at 30 June 2013, the Company held 47.54% of MH Promissory Notes via PN Holdings (Note 5) which fully owns VRICL. Conditional on closing under this agreement and satisfying applicable securities regulations, the Company anticipates receiving 13,704,017 Masan Group shares in return for 11,194,839 shares of PN Holdings the Company held as at 30 June 2013.

(b) Repurchase of Redeemable Shares of the Company

Subsequent to 30 June 2013, the Company has sold, through Rickmansworth Limited, 2,827,841 Redeemable Shares of the Company that have been purchased by and held for the benefit of the Company.

12. Seasonal or Cyclical Factors

The Group’s results for the six months ended 30 June 2013 and 2012 are not subject to any significant seasonal or cyclical factors.

13. Approval of the Consolidated Financial Statements

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 16 September 2013.

ADMINISTRATION

The Company & Registered Office

Vietnam Enterprise Investments Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Administrator & Offshore Custodian

Standard Chartered Bank
Standard Chartered @ Changi
No 7, Changi Business Park
Crescent
Level 03
Singapore 486028

Company Secretary & Registrar

ATC Asia Corporate Services Limited
ATC Trustees (Singapore) Pte. Ltd
55 Market Street
#16-01
Singapore 048941

Enquiries

Dragon Capital Markets Limited
Tel: +84 8 3823 9355
Fax: +84 8 3823 9366
Email: dealing@dragoncapital.com

Investment Manager

Enterprise Investment Management Limited
c/o 1901 Me Linh Point
2 Ngo Duc Ke
District 1
Ho Chi Minh City
Vietnam

Vietnam Custodian

Standard Chartered Bank (Vietnam) Limited
8th Floor
49 Hai Ba Trung
Hanoi
Vietnam

Auditors

KPMG Limited
10th Floor 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

Hartmut Giesecke

**Chairman and independent non-executive director
(Appointed January 2006)**

Hartmut Giesecke has a Master of economics degree from Freiburg University, Germany and an MBA from Columbia University Graduate School of Business. Mr. Giesecke joined the Capital Group organisation as a financial analyst in Geneva, Switzerland in 1972 and then moved to Los Angeles to work for Capital Research Company as an analyst covering non-US markets and later on 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. He resides in Singapore and Munich, Germany.

Derek Eu-Tse Loh

**Independent non-executive director
(Appointed March 2011)**

Derek Eu-Tse Loh graduated from Cambridge University with Honours in 1990. He then obtained his barrister-at-law in England before proceeding to his call as an advocate and solicitor in Singapore in 1993. He has spent the past 19 years in active practice with a focus in the area of projects, infrastructure and engineering law. He joined TSMP Law Corporation in 2001 where he is currently an executive director. He sits on the Boards of listed companies in Singapore including Freight Links Express Holdings where he chairs the Remuneration and Nomination Committees. Mr. Loh is a member of the Board of Governors of Saint Joseph Institution, a leading independent school in Singapore and is on the Board of Trustees of Saint Joseph's Institution Foundation (Singapore), a charitable organisation. He resides in Singapore.

Wolfgang Bertelsmeier

**Independent non-executive director
(Appointed July 2009)**

Wolfgang Bertelsmeier holds a Master's degree in business administration from the University of Frankfurt. He also studied at the Université de Poitiers, France, Harvard Business School and Stanford University. Mr. Bertelsmeier worked for several financial institutions and joined the International Finance Corporation ("IFC") in 1990, working primarily in Africa, Southeast Asia, Latin America and Europe until his retirement. He sits on the boards of several companies in Africa and Europe. He resides in Washington D.C. and Bangkok, Thailand.

Farida Khambata

**Non-executive director
(Appointed April 2012)**

Farida Khambata holds a Masters degree in economics from the University of Cambridge and a Masters from the London Business School. She joined the World Bank in 1975 and IFC in 1986 where she held a number of positions including being in charge of Treasury Operations, Vice President for Portfolio and Risk Management and Vice President for South and East Asia, the Pacific, Latin America and the Caribbean. She was also a member of IFC's senior management team. In 1992, she coined the term Frontier Markets to describe a subset of emerging markets. Mrs. Khambata is currently the Global Strategist at Cartica Capital, an asset management company investing solely in emerging markets. She is also a director of Dragon Capital Group Limited. She resides in Washington D.C.

Dominic Scriven, OBE

**Non-executive director
(Appointed May 1995)**

Dominic Scriven graduated from Britain's Exeter University in 1985. In nearly 30 years of investing throughout Asia, he has worked for M&G (UK), Citicorp (HK), and Sun Hung Kai (HK). He moved to Vietnam in 1991, spending two years at Hanoi General University, before co-founding Dragon Capital in 1994. A Vietnamese speaker, he is a Director of a number of publicly listed companies, and an active advocate for financial market development. His external interests range from sustainable tourism, through art and propaganda, to the illegal wildlife trade. He was awarded the OBE in 2006, and resides in Ho Chi Minh City, Vietnam.

NAME ABBREVIATIONS

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

Full Name by Sector	Short Name
Banks	
Asia Commercial Joint Stock Bank	ACB
Military Commercial Joint Stock Bank	Military Bank
Military Commercial Joint Stock Bank - Right Issue	Military Bank - Right
Joint Stock Commercial Bank for Foreign Trade of Vietnam	Vietcombank
Consumer Durables	
Phu Nhuan Jewelry Joint Stock Company	Phu Nhuan Jewelry
Diversified Financials	
Masan Group Corporation	Masan Group
PN Holdings Limited	PN Holdings
Saigon Securities Incorporation	SSI
Energy	
PetroVietnam Drilling and Well Services Joint Stock Company	PV Drilling
PetroVietnam Gas Corporation	PV Gas
Food & Beverage	
Vietnam Dairy Products Joint Stock Company	Vinamilk
Funds	
Vietnam Securities Investment Fund - VF1	VFMVF1
Vietnam Securities Investment Fund - VF2	VFMVF2
Materials & Resources	
Bersa Gold Inc.	Bersa
Hoa Phat Group Joint Stock Company	Hoa Phat Group
Hoang Anh Gia Lai Rubber Joint Stock Company	Hoang Anh Rubber
PetroVietnam Fertilizer and Chemical Joint Stock Company	Phu My Fertilizer
Pharmaceuticals	
DHG Pharmaceutical Joint Stock Corporation	Hau Giang Pharma
Real Estate	
Beaubien Corporation	Beaubien
Binh Chanh Construction & Investment Joint Stock Company	BCCI
Hoang Anh Gia Lai Joint Stock Company	Hoang Anh Gia Lai
Refrigeration Electrical Engineering Corporation	REE
Song Da Urban & Industrial Zone Investment and Development Joint Stock Company	Sudico
Software & Services	
FPT Corporation	FPT
FPT Corporation Warrant 9/10/2012	FPT Warrant