

2019 **ANNUAL  
REPORT**  
Vietnam Enterprise Investments Limited



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## Chair's Statement

Dear Shareholders,

Vietnam's macro economy continues to achieve solid and sustainable growth, surpassing the Government's forecast for the year. Vietnam's performance, compared to its peers, proves that it is the clear beneficiary from the recent global trade tensions. These benefits have led to an enhanced exposure to international trade, allowing Vietnam to continue to better capture the attention of global investors. A key draw for investors has been the country's strong work ethic, demographics and underlying economic trends that will support Vietnam's long-term growth. A burgeoning middle class and increased share of the global supply chain are expected to underpin Vietnam's high performing economy for several years to come.

The leading macro indicators were encouraging for Vietnam in 2019. GDP rose 7.0% to a ten-year record high, beating the Government's target of 6.7%. The key driver in GDP growth was solid industrial production, which grew 8.9% year-on-year ("y-o-y"), and an improving services sector. Inflation was well controlled at 2.7% despite the surge in foodstuff prices due to pork shortages caused by African Swine Flu. With regard to trade, Vietnam achieved an all-time record high with a surplus of US\$11.1 billion thanks to strong FDI driven exports. Overall, FDI continued to perform strongly with total disbursement increasing 6.8% y-o-y to US\$20.4 billion, its highest number on record. Supported by a strong forex reserve of US\$79 billion, the Vietnamese Dong remained stable with only a minor depreciation of 0.4% for the year.

The Vietnam stock market closed up 9.9% for the year. Net foreign inflow was strong in the first quarter but slowed during the rest of the year due to some equity market headwinds and Vietnam's lack of inclusion in the MSCI and FTSE Emerging Markets lists, resulting in a negative impact on liquidity. The average trading values per

day across the Vietnam Index ("VN Index") dropped from US\$293 million in 2018 to US\$177 million in 2019.

To offset short-term volatilities in the market, the Government has looked to provide regulatory solutions to support the long-term development of the stock market. As an example, the Amended Securities Law which will become effective in January 2021, represents another step in the right direction towards achieving the long-coveted MSCI Emerging Markets Index inclusion. One of the major amendments is the introduction of Non-Voting Depository Receipts which will be a potential solution to the Foreign Ownership Limit rule that has been a major obstacle preventing Vietnam from being upgraded to the MSCI Emerging Markets Index.

In terms of our performance, Vietnam Enterprise Investments Limited ("VEIL") continued to follow a strategy of investing in value and growth. Indices and ETFs drifted towards large cap names that had available foreign ownership headroom, driving up prices. Our lack of exposure to these stocks, due to their high valuations, meant VEIL underperformed the VN Index by 8.5% at the end of the first quarter. However, we outperformed the market for the rest of the year, narrowing the underperformance gap to 6.8% at year end. VEIL's rebound was driven by strong performance across its key holdings in the retail sector (Mobile World Group and Phu Nhuan Jewelry), information technology (FPT Corporation), banking (Military Bank) and real estate (Becamex). In the lead up to recent global market volatility, VEIL consistently outperformed the market with a three-year return of 53.3%, outperforming the market by 1.3%. Over a five-year period, VEIL's asset under management (AUM) increased by 98.8%, outperforming the market by 12.5%.

For 2020, the first few months of the year have been marked by a number of geopolitical challenges, most important of which being COVID-19. While Vietnam is faring better than

other countries in terms of the number of cases, we see significant economic and business impact in 2020. As the world adjusts to a new normal, our team views the crisis as offering numerous opportunities.

Looking ahead, the ratification of the EU-Vietnam Free Trade Agreement ("EVFTA") and the EU-Vietnam Investment Protection Agreement by the European Parliament are very encouraging news for Vietnam. The EU is Vietnam's second-largest export market, after the United States. EVFTA could create a number of competitive advantages for Vietnamese goods compared to others in the region.

As a long-term investor committed to sustainability, all investments made by VEIL are subjected to a rigorous environmental, social and governance ("ESG") screening process adopted by Dragon Capital Group ("DCG"). DCG created its own ESG Management System ("ESGM") with the valuable assistance of the International Finance Corporation. The policy and procedures of ESGM are applicable to DCG's investment universe with the goal to systematically manage ESG risks throughout the investment appraisal and management processes.

As we approach the 2020 AGM, I am pleased to note the benefits that have accrued to VEIL following our listing on the London Stock Exchange ("LSE") in July 2016 and subsequent inclusion in the FTSE 250 Index in September 2016. There has been a notable improvement in daily turnover, which facilitated the secondary placement of approximately 37 million shares on behalf of an institutional shareholder (at a then-aggregate value of approximately US\$200 million) in the first half of 2019, one of the largest secondary sell-downs in the UK Investment Companies sector. As a result of this, and the Board's active approach to discount management, the share price has improved by 29.2% since listing whilst VEIL's NAV has recorded a return of 8.5%, beating both the VN Index (5.06%

## Chair's Statement (Continued)

over same period) and the FTSE 250 (0.79% over same period) (source: Bloomberg). VEIL has also, over this period, developed a more broad and diversified shareholder base, with some 40 institutions each owning over one million shares, and over 115 holders each owning over 100,000 shares (source: Dealogic).

VEIL firmly believes that through our team's extensive experience, coupled with deep local knowledge, our investments offer shareholders premium access to a dynamic economy. Our track record over the medium and long-term continues to outperform peers and reference index. Our fund size is one of the largest and most stable in Vietnam. Our focus on value offers downside protection from volatile global macro factors. We remain committed to unlocking value for the benefit of all our stakeholders.

Thank you for your continued support, and wishing everyone a safe and healthy 2020.



Stanley Chou  
Chair

Vietnam Enterprise Investments  
Limited

22 April 2020

## Company Overview and Strategy

### Investment Objective

VEIL's objective is to seek medium to long-term capital appreciation of its assets.

### Benchmark

VEIL does not benchmark against any index. However, VEIL looks to outperform the VN Index, a capitalisation-weighted index of all companies listed on the Ho Chi Minh Stock Exchange, on a rolling three-year basis. VN Index is available on Bloomberg on 'VINDEX VN Equity <GO>'.

### Business Model

VEIL was incorporated in the Cayman Islands on 20 April 1995 under the Companies Law (Revised), Cap. 22, of the Cayman Islands as an exempted company with limited liability and is a closed-end investment fund. VEIL is the longest running fund focused on Vietnam and the largest which invests primarily in listed and pre-IPO companies in Vietnam that offer attractive growth and value metrics, good corporate governance, and alignment with Vietnam's underlying growth drivers.

On 5 July 2016, VEIL's shares were admitted to the premium segment of the Official List of the Financial Conduct Authority, and to trading on the London Stock Exchange's main market for listed securities. On 18 July 2017, VEIL was included in the FTSE 250 Index.

### Investment Policy

#### Asset Allocation

VEIL seeks to achieve its investment objective by investing in companies primarily operating in, or with significant exposure to, Vietnam. Whilst VEIL's portfolio will reflect a focus on Vietnam, VEIL may also invest up to, in aggregate, 20% of Net Asset Value ("NAV") at the time of investment, in companies operating in, or with significant exposure to Cambodia and Laos.

VEIL expects that the majority of the investments comprising the portfolio will be equity securities admitted

to trading on the Ho Chi Minh Stock Exchange, the Hanoi Stock Exchange, the Unlisted Public Company Market ("UPCoM") or on other stock exchanges. VEIL may, nonetheless, invest in unlisted equity securities and listed or unlisted debt securities or loan instruments.

The companies in which VEIL will invest may have any market capitalisation and may operate in any industry. In respect of the debt securities in which VEIL may invest, these may be fixed or floating rate and may have any credit rating or may be unrated.

VEIL may seek exposure to securities directly or indirectly and VEIL may use derivatives for investment purposes and efficient portfolio management. VEIL may invest in investment companies that have, as their main objective, a focus on investing in securities falling within VEIL's investment policy. Investments in other investment companies will not exceed 10% of NAV at the time of investment.

VEIL does not intend to take legal or management control of any investee company. VEIL may also hold cash or other short term investments such as commercial papers or certificates of deposit. Under normal market conditions, it is expected that VEIL will be substantially fully invested in investments meeting its investment policy. However, where considered prudent to do so (for example, in the event of a lack of suitable investment opportunities or in times of falling markets or market volatility), VEIL's portfolio may reflect a significant weighting to cash or other short term investments.

#### Investment Restrictions

VEIL will observe the following investment restrictions in each case calculated at the time of investment:

- (a) No more than 20% of the gross assets of VEIL may be exposed to the creditworthiness or solvency of a single counterparty;
- (b) No more than 20% of the gross

assets of VEIL may be invested in any one issuer; and

- (c) No more than 40% of the gross assets of VEIL may be invested in any one industrial sector.

#### Borrowing

VEIL is permitted to borrow money and to charge its assets. VEIL will not have aggregate borrowings in excess of 20% of VEIL's NAV at the time of borrowing.

VEIL may borrow for the purposes of capital flexibility, including for investment purposes. The Board will oversee the level of gearing in VEIL, and will review the position with the Investment Manager on a regular basis.

#### Changes to Investment Policy

No material change will be made to the investment policy without the approval of shareholders by ordinary resolution.

In the event of a breach of the investment policy set out above and the investment and borrowing restrictions set out therein, the Investment Manager shall inform the Board upon becoming aware of the same, and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

#### Key Performance Indicators

At each Board meeting, the Directors consider a number of performance measures to assess VEIL's success in achieving its objectives. The key performance indicators ("KPI") are established industry measures, and are as follows:

#### NAV and Share Price

The Board monitors the NAV and share price performance of VEIL on a three-year rolling basis as provided under "Portfolio Manager's Report" on page 9. Performance for one, three and five years are provided on page 11 for reference purposes.

## Company Overview and Strategy (Continued)

### Performance Against Reference

Performance is measured against the VN Index, on a three year rolling basis. The Board also considers peer group comparative performance over a range of time periods, taking into consideration the different investment policies and objectives of those companies.

### Discount/Premium to NAV

The discount/premium relative to the NAV represented by the share price is closely monitored by the Board. The objective is to avoid large fluctuations in the discount relative to similar single country investment companies investing in Asia (ex-Japan) by the use of share buy backs subject to market conditions. A graph showing the share price discount/premium relative to the NAV is also shown on page 10.

### Board Composition

The Board supports the principle of boardroom diversity. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thought, experience and qualifications for the effective conduct of VEIL's business. New appointments are identified against the requirements of VEIL's business and the need to have a balanced Board.

As at 31 December 2019, the Board consisted of five Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Detailed information on the Board's independence, composition and diversity is provided on page 23.

## Portfolio Manager's Report

### Performance Overview

2019 marked the return of VEIL to its winning way as VEIL delivered a 3.0% gain for the year, its sixth positive annual return in the last seven years with the only exception being a very difficult 2018. In regards to VEIL's reference index, the VN Index total return in US\$ (the "VN Index"), it has been an interesting year in which there was an incredibly high concentration of large-cap stocks performance contribution, the likes of which we have never seen before. In particular, the top three contributors accounted for 110% of the VN Index's performance and the top six accounted for 146%. For VEIL, specifically, the highest performing sectors were Banking, Retail and Real Estate & Construction. Notable contributors from the portfolio were Phu Nhuan Jewelry ("PNJ"), Vietnam Engine and Agricultural Machinery Corp ("VEA") and FPT Corp ("FPT"). On the downside, Diversified Financials and Transportation hampered VEIL's overall performance.

### Attribution Analysis

VEIL's bank holdings were up a respectable 10.5% for the year driven mostly by strong performance by VEIL's second biggest bank holding Military Bank ("MBB"). As for the company's biggest bank holding, Asia Commercial Bank ("ACB"), its share price performance was disappointing as the stock was essentially flat for the year despite its strong fundamentals. ACB posted a 16.9% growth in Net Interest Income ("NII") on the back of 16.6% loan growth, while its Net Interest Margin ("NIM") remained stable at 3.6%. The bank was one of the first Vietnamese banks to successfully apply the Basel II standard as approved by the State Bank of Vietnam ("SBV"). This meant that ACB was one of the rare exceptions allowed to have its credit growth quota lifted to 17%, up from the sector average of 14%. As a result, ACB's Net Profit After Tax ("NPAT") was up 16.7% year-on-year ("y-o-y"). 2020 could see a number of exciting new developments for

ACB as it considers moving from the Hanoi Stock Exchange to the Ho Chi Minh Stock Exchange which may help to attract substantially more interest from institutional investors. Additionally, the bank is setting an earnings growth target of 15% for 2020 while also planning to pay a 20% stock dividend and 10% cash dividend on par value (4.4% cash yield), the first offered cash dividend since 2015. An exclusive Bancassurance deal, which often brings a hefty one-off fee, could also be under consideration. At the end of 2019, ACB was trading at a valuation of 1.1x forward PBR and 5.4x forward PER. Given its top-tier asset quality (non-performing loan ratio at the end of 2019 was 0.5%) and bright prospects, we strongly believe ACB deserves rerating in the years ahead.

As for MBB, the bank delivered an impressive 18.7% share price increase. Under the stewardship of CEO Mr Luu Trung Thai, MBB has moved towards a more retail-orientated strategy which delivered strong growth, highlighted by a 30.4% y-o-y increase in NPAT. MBB also became compliant with Basel II standards, allowing for higher credit growth. The bank posted 23.4% in NII growth, driven by retail lending which stood at 40.5% of its total loan book, up from 37.7% last year. As a result, NIM expanded to 4.9% in 2019 from 4.5% a year ago. MBB successfully raised VND2,315 billion (US\$99.6 million) in new capital which should help to shore up the bank's Capital Adequacy Ratio for future growth. Like ACB, MBB is trading at a very undemanding valuation of just 1.0x forward PBR and 5.2x forward PER. We continue to be convinced that MBB will remain one of the leading Vietnamese retail banks in future.

In term of overall contribution, the Retail sector was VEIL's largest alpha contributor in 2019, with VEIL's top holding, Mobile World Group ("MWG") posting an impressive 33.4% share price gain. In contrast, VEIL's other company in the sector,

FPT Retail ("FRT") fell 65.7% to the lowest point since its listing in April 2018. In 2019, MWG proved that it was capable of sustaining strong profits whilst expanding its business by rolling out its new venture, Green Grocery. MWG's revenue grew by 18.1%, driven by various factors namely: (1) the continued expansion of consumer electronics stores (store count up 36% to 1,018 stores); (2) the optimisation of high performing mobile phone stores into mini consumer electronics stores; (3) rolling out 253 hand-watch point-of-sales within existing stores; and (4) the continued expansion of Green Grocery stores which have now reached 1,008 in total (net increase of 603 stores vs. 405 stores at the end of 2018). NPAT growth was even more impressive at 33.2% y-o-y, driven by a higher gross profit margin, improving to 19.1% in 2019 from 17.8% in 2018, as optimisation initiatives were rolled out across the company in addition to a better product mix. We firmly believe MWG remains the best company to tap into the lucrative but highly fragmented retail market. FRT, on the other hand, has fallen out of favour with investors as the company decided to invest its capital in new business lines such as retail pharmacy, as well as cosmetic and beauty products. These segments have become a drag on profitability whilst the company's traditional segment of mobile phone retailing appears to be nearing a saturation point for its current market. As a result, FRT posted a net profit after tax and minority interest ("NPAT-MI") of VND214 billion, down 38.4% y-o-y.

The Real Estate & Construction sector had a tough year in 2019, although that might not be clear looking at the VN Index's property sector performance, which was up 14.7% for the year. This is primarily because Vingroup ("VIC"), the listed parent company of listed subsidiaries Vinhomes ("VHM") and Vincome Retails ("VRE"), accounted for 81% of the sector weight and delivered 106% of the

## Portfolio Manager's Report (Continued)

sector performance, implying the rest of the sector underperformed. Among the three companies within the group, we continue to favour VHM, up 17.0% y-o-y, for its leading position in the property market both in terms of scale and execution.

In 2019, VHM was the most profitable listed company in Vietnam with pre-sales hitting nearly US\$4.0 billion, up more than 30% compared to 2018 on the back of strong bulk sales. The company achieved VND51,826 billion in net sales, up 34.0% y-o-y and NPAT-MI of VND21,305 billion, up 49.2% y-o-y. Outside of VIC's group of companies, the rest of the Real Estate & Construction sector was a mixed bag. Performance in the market diverged in 2019, and this is partly attributed to a tighter legal environment that has continued to hamper developers' ability to launch new projects.

Given this market context, winners were rare, and few and far between. Within VEIL's portfolio, long-term holding and pioneer of Ho Chi Minh City's gated community model, Khang Dien House ("KDH"), posted a solid gain of 7.8%. The company's high legal standards and processes relating to its projects are starting to earn KDH a reputation for being a trusted name at a time when the issue dominates the sector. The company delivered its fifth consecutive year of double-digit growth since becoming profitable in 2014, reporting NPAT-MI growth of 13.3% y-o-y. This is a trend we expect the company to maintain in 2020 with the hand-over of the Safira project and the future sales of the Verosa Park project.

Another property winner for VEIL in 2019 was Becamex IDC ("BCM"), one of the biggest industrial park developers in the country. The company benefited from production shifts from China to Vietnam as a result of the US-China trade war. It was further bolstered by the announcement that BCM is working to move from the UPCoM to the Ho Chi Minh Stock Exchange.

Financially, 2019 was another strong year for the company as it delivered top line growth of 28.4% and bottom line growth of 15.2%. Whilst the trade war certainly helped with the production shift to Vietnam from other countries, especially China, this trend happened long before 2019 as FDI inflow has been growing steadily over the last decade and a half. As such, we believe BCM will remain a great long-term bet in this sector.

On the other hand, Dat Xanh Group ("DXG") lagged behind VEIL's other property holdings. Despite the issues that the Real Estate & Construction sector faces, DXG recorded a modest growth in NPAT-MI of 3.2%. Nevertheless, the severity of the anti-corruption campaign and increased legal scrutiny hampered progress at one of the company's key projects, Gem Riverside, for more than a year. This soured investor sentiment, leading to a 22.5% drop in share price in 2019. That said, the company remains the biggest property brokerage in Vietnam and whilst its project development segment was hit in 2019, the company has been building up landbanks in second tier cities. These landbanks should help DXG to return to double-digit growth in 2020 and beyond, while waiting for the legal issues to be resolved and make the market more favourable. Given its compelling forward valuation of just 4.5x PER 2020, DXG offers a great medium-to-long term opportunity in the Real Estate & Construction sector.

VEIL's long-term approach to software company FPT paid off. FPT had a strong financial year, delivering an impressive 58.1% share price performance. The company reported excellent earnings growth across both of its key segments which saw 30% growth in Profit Before Tax ("PBT") in its Software outsourcing segment, and a 30% growth in PBT for its Telecom service segment. In 2019, the company focused on obtaining new clients in the US, EU and APAC markets and

bolstered its already strong presence in Japan. In terms of its Telecom services, its broadband subscriber base continued to increase at a double-digit rate, whilst other services including PayTV also saw double-digit growth. As a result, FPT was able to record 19.7% NPAT-MI growth for the year.

2019 marked an important year for PNJ in the Consumer Durables sector, as it rolled out the SAP-driven ERP system. Unfortunately, the application of the new system ran into issues during the second quarter impacting the top and bottom lines. Once fine-tuned, PNJ rebounded strongly in the second half of 2019, delivering a robust 24.4% NPAT-MI growth which in turn helped drive the share price rise 24.6%.

A star performer at the half-way point of 2019, VEA's meteoric share price rise slowed in the second half of 2019 to close up 25.7%. The stock peaked in July having risen nearly 65% at that point, making it one of VEIL's most successful stories in the privatisation space in recent years. Strong profit taking activities, coupled with a slight deterioration in earnings, hampered the share price in the second half. Nevertheless, VEA's valuation remains quite attractive at just 7.5x PER 2020 and up to 9-10% cash yield and it has become a noteworthy value play in the market.

The Diversified Financials sector was the biggest drag on VEIL's performance. VEIL took a big hit on Vietcapital Securities, which were down 29.1% and 34% respectively, proving to be VEIL's worst performers. This was due to tougher market conditions for prop trading and short-term investment banking challenges. This was coupled with a wave of new Korean brokers entering the market which has made competing against low-cost market participants a long-term worry for local brokers. Additionally, Masan Group ("MSN") also fell 27.1% as investors fled the stock after the



## Portfolio Manager's Report (Continued)

company announced its venture into the lucrative, but notoriously challenging, Retail sector via the merger between Masan Consumer Holdings and Vincom Commerce, the retailing arm of VIC.

The Transportation sector was the second biggest drag on VEIL's performance. This can be directly attributed to Airport Corporation of Vietnam ("ACV") as the company fully divested from Vietjet Air ("VJC") during 2019. VEIL participated in VJC's IPO during the year. This deal highlights the strength of the team on the ground in being able to identify growth opportunities before they come to market and leverage strong relationships with local businesses. These attributes allow VEIL to become the first mover when these opportunities arise. VEIL's investment into VJC delivered a final IRR of 120% over a period of more than two and a half years. As for ACV, despite reporting a 35.8% growth in NPAT-MI in 2019, the stock was still down 15.6%. Investor sentiment towards ACV was weakening throughout 2019 due to the prolonged delay in the Government's ability to finalise the rights to own or operate the runway. Nevertheless, given its monopoly and the growing appetite for air travel in Vietnam, we believe that ACV is still a great long-term bet for the future.

### COVID-19\*

Vietnam has undergone two waves of COVID-19 outbreaks, of which the first was successfully contained before the second one hit. The second wave started on 6 March 2020, bringing significant economic and social consequences, and is still ongoing. Vietnam's officials promptly introduced a series of aid packages to minimise the economic damage caused by the pandemic.

Immediately upon the outbreak of the virus, Vietnam implemented measures to prevent its spread. These included the suspension of all international flights until 30

April 2020, measures to limit local transmission and the aggressive tracking down of related contacts. On 1 April 2020, the Government implemented the highest level of virus infection prevention - a national partial lockdown and mass social distancing for two weeks.

So far, Vietnam's drastic measures are showing promising results. As of 7 April 2020, there were only 127 active cases, and no fatalities yet. We believe Vietnam has the situation under control and expect most cities in the country to resume socio-economic activity in the near term.

At the same time, the authorities are making efforts to stabilise the financial markets. The SBV has lowered a wide range of policy rates by 0.2-1.0%, most notably the open market operations rate, which was reduced by 50 bps. It has also supported funding when market liquidity dried up and, thanks to SBV support, commercial banks are able to offer 1-2% preferential credit packages (totalling US\$14.5 billion for tenors of longer than one year) and exercise forbearance for COVID-19-affected borrowers.

Besides monetary policy, we also expect strong measures on the fiscal side to be a key driver. Disbursement of public investment into infrastructure is expected to be US\$30 billion for 2020-21, equivalent to 5.5% of annual GDP. At the same time, to secure and maintain the labour force after the outbreak, the authorities announced an unprecedented package of US\$2.6 billion, making monthly US\$80 payments to poor and low-earning individual businesses and households in the second quarter of 2020.

COVID-19 is having a profound negative effect on the global economy. For now, Vietnam's Government is focusing all of its resources on controlling the spread of the disease, thereby temporarily putting a large part of the economy into a coma. However,

the Government is expected to announce further large stimulus packages as soon as the pandemic is over in order to bring the economy back to normal. Once Vietnam has contained the pandemic, and the economy has rebounded as expected, the country can again become an economic bright spot in the world as companies shift production away from what is now recognised as having been an excessive concentration in China.

(\*); This information is as of 13 April 2020.

### Outlook

Despite the concentration of performance in 2019, the return of a strong Vietnamese equity market was a welcome sign after a difficult 2018. The macro themes driving Vietnam's future growth appear unblemished, with strong GDP growth, relatively benign inflation, well-controlled credit and stable FX; perfect conditions for a strong equity market which continues to offer great value for growth compared to its regional peers.

An area of focus over the last few years was the Government's privatisation programme and IPO pipeline. The two-year anti-corruption probe and 2018's challenging market conditions halted much of this pipeline. However, we believe there is still a substantial pipeline coming through which will present interesting opportunities to the market. In the past, VEIL was one of the most active investors in screening, sourcing and participating in these new opportunities. The portfolio management team identified the pipeline as a great source of new investment ideas and will continue to monitor its progress closely. As part of our work with these and other companies we invest in, VEIL's portfolio management team is committed to assist with various value-added activities including advising the management on the improvement of corporate governance standards and investor relation activities. Additionally,

## Portfolio Manager's Report (Continued)

the portfolio management team gradually works to raise environmental and social awareness among its investees.

The large-cap rally in 2019 has widened the valuation gap between large-cap and mid-cap stocks to its widest point for several years. As a result, a number of interesting opportunities have begun to appear within the mid-cap space, some of which, given the right management and financial backing, can deliver excellent long-term growth at a very reasonable valuation.



Vu Huu Dien  
Portfolio Manager  
Vietnam Enterprise Investments  
Limited  
22 April 2020

### Portfolio Manager

#### Vu Huu Dien

Dien has a master's degree in Business and Information System co-granted by the Solvay Business School of ULB (Bruxelles, Belgium) and the Ho Chi Minh City Open University. In 2000, he joined Dragon Capital as a senior analyst and later was promoted to Head of Corporate Finance and then Co-Manager of Vietnam Enterprise Investments Limited ("VEIL"), Vietnam Growth Fund Limited ("VGF") and Vietnam Dragon Fund Limited (VDF). Since 2010, he is the Portfolio Manager of VEIL and in 2015, VGF was merged into VEIL, making VEIL the largest Vietnam-focused investment fund. He is also a Deputy CIO, leading Dragon Capital's deal origination group and helping the CIO oversee the investment team.



## Portfolio Manager's Report (Continued)

### Performance

	31 December 2019	31 December 2018
Total net assets (US\$)	1,474,618,777	1,440,021,968
Total net assets (GBP)	1,113,129,255	1,130,670,689
Number of outstanding shares	218,061,888	219,579,878
NAV per share (US\$)	6.76	6.56
NAV per share (GBP)	5.10	5.15
Share price (GBP)*	4.75	4.57
Discount to NAV (%)	(6.96)	(11.26)
GBP/US\$ exchange rate	1/0.754859	1/0.785176

\* Following the listing on the London Stock Exchange, the share price is quoted in GBP only.

	31 December 2019	31 December 2018
	%	%
NAV returns (US\$)	3.09	(7.08)
NAV returns (GBP)	(0.97)	(1.34)
Share price returns (GBP)	3.83	3.39
VN Index (price return - VND terms)	7.67	(9.32)
VN Index (total return - US\$ terms)*	9.85	(9.45)

\* Source: Bloomberg

### Period's High and Low

	Year to 31 December 2019		Year to 31 December 2018	
	High	Low	High	Low
NAV per share (US\$)	7.24	6.29	8.40	6.17
NAV per share (GBP)	5.65	4.99	6.00	4.67
Share price (GBP)	5.07	4.27	4.95	3.96

Source: Dragon Capital, London Stock Exchange

### VN Index Information (Rolling 3-year)



Source: Dragon Capital, Bloomberg

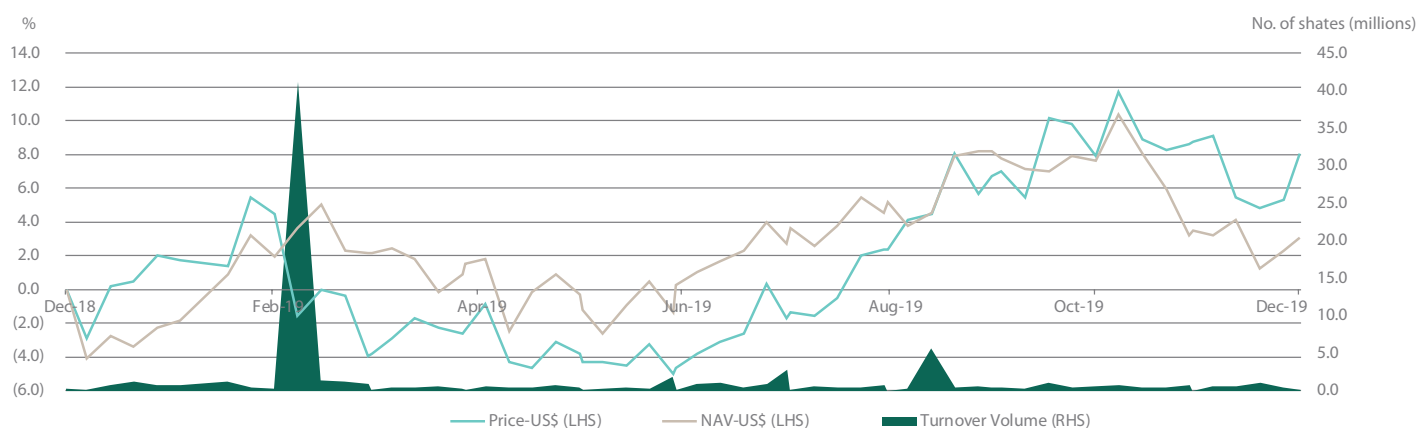
## Portfolio Manager's Report (Continued)

### Asset Allocation by Asset Class<sup>1</sup>

	31 December 2019	31 December 2018
	%	%
Equities	97.8	100.6
OTC Equities	0.3	0.5
Others	0.0	0.5
Cash <sup>2</sup>	1.9	2.6
Loans	0.0	(4.2)
	100.0	100.0

<sup>1</sup> For asset allocation by sector, please see Note 5 to the Financial Statements.  
<sup>2</sup> Cash includes cash and cash equivalents, receivables and payables.

### Share Price & NAV



NAV and share price are based on US\$.

### Discount/Premium to NAV (%)



Source: Dragon Capital

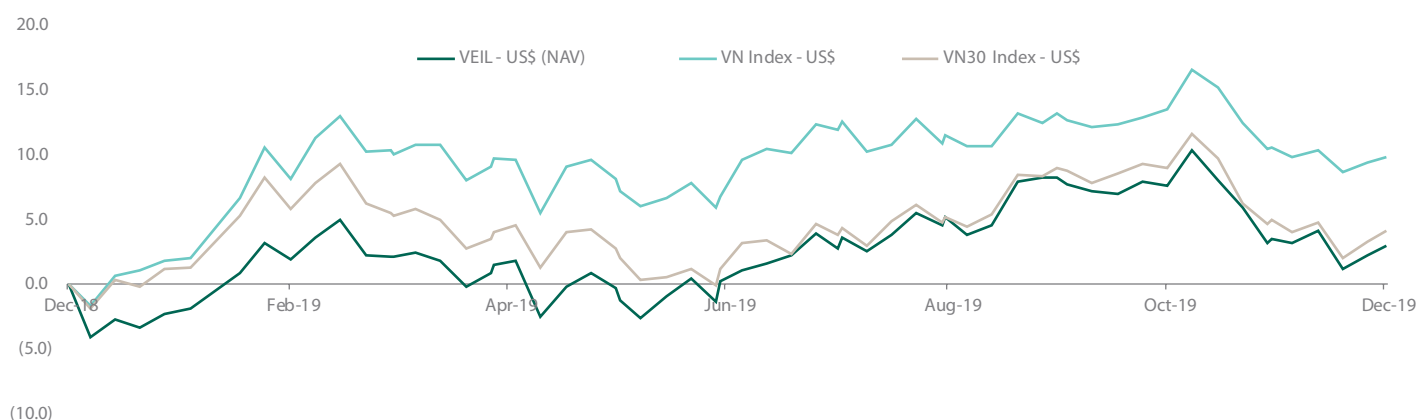
## Portfolio Manager's Report (Continued)

### Major Sector Return and Contribution

Sector	Portfolio return	VN Index return	Portfolio contribution
	%	%	%
Banks	10.5	29.7	2.0
Retailing	19.2	21.5	1.9
Technology Hardware & Equipment	61.5	56.7	1.7
Real Estate	3.8	14.7	1.2
Consumer Durables & Apparel	26.4	10.3	0.7
Capital Goods	10.1	(13.0)	0.6
Energy	5.8	12.9	0.1
Materials	(2.5)	(3.4)	0.1
Insurance	(0.4)	(18.4)	0.0
Utilities	(28.0)	(4.4)	(0.3)

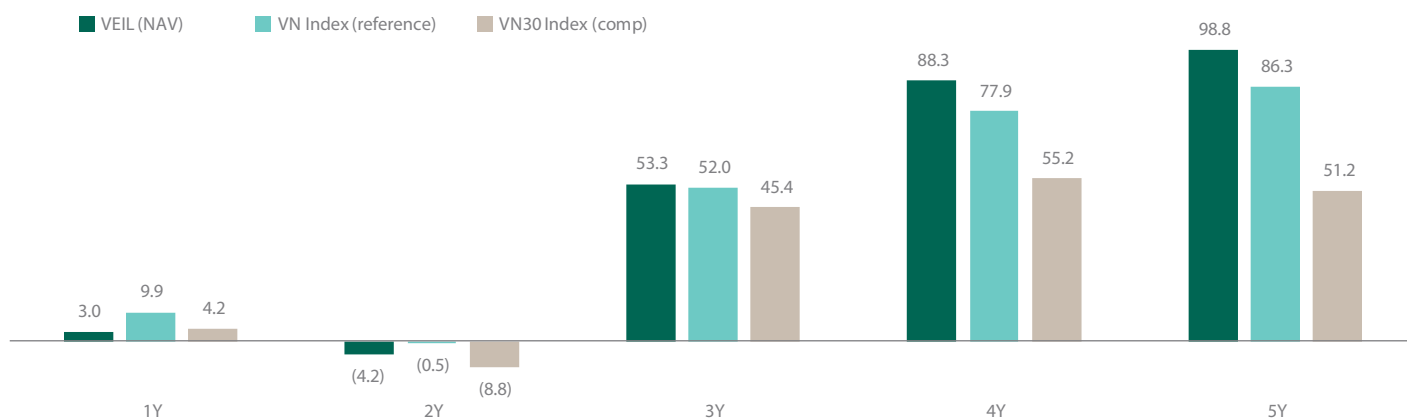
Source: Dragon Capital, Bloomberg

### One Year Performance (% in US\$ terms)



Source: Dragon Capital, Bloomberg

### Cumulative Performance (% in US\$ terms)



Source: Dragon Capital, Bloomberg

## Portfolio Manager's Report (Continued)

### Ten Year Record

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total net assets	US\$m	414.84	330.17	400.85	473.78	512.94	792.65	974.80	1,553.28	1,440.02	1,474.62
Total net assets	GBPm	n/a	n/a	n/a	n/a	n/a	n/a	788.91	1,148.24	1,130.67	1,113.13
NAV per share	US\$	2.46	1.96	2.38	3.07	3.40	3.59	4.41	7.06	6.56	6.76
NAV per share	GBP	n/a	n/a	n/a	n/a	n/a	n/a	3.57	5.22	5.15	5.10
Share price	US\$	2.02	1.71	1.91	2.47	2.82	2.99	n/a	n/a	n/a	n/a
Share price	GBP	n/a	n/a	n/a	n/a	n/a	n/a	2.96	4.42	4.57	4.745
Earnings per share	US\$	(0.05)	(0.51)	0.40	0.64	0.32	0.15	0.82	2.64	(0.50)	0.20
Discount to NAV	%	(17.89)	(12.76)	(19.75)	(19.54)	(17.06)	(16.71)	(17.09)	(15.27)	(11.26)	(6.96)

Source: Dragon Capital

### Investment Portfolio - Ten Largest Investments

Company	Sector	Market value 2019 US\$	NAV %	Total return 2019 %	Initial acquisition
Mobile World	Retail	158,264,666	10.7	33.4	3 October 2014
Vinhomes	Real Estate	117,053,657	7.9	17.0	18 May 2018
Khang Dien House	Real Estate	103,141,942	7.0	7.8	19 November 2013
ACB	Banking	102,065,593	6.9	0.2	1 December 1996
Hoa Phat Group	Materials & Resources	74,897,855	5.1	(1.2)	18 June 2009
Military Bank	Banking	73,165,384	5.0	18.7	24 February 2012
FPT Corp	Software & Services	58,801,389	4.0	58.1	3 July 2008
Dat Xanh Group	Real Estate	43,332,570	2.9	(22.5)	10 March 2016
Phu Nhuan Jewelry	Consumer Durables	41,559,075	2.8	24.6	9 March 2010
Vietcombank	Banking	40,389,775	2.7	70.2	7 February 2012
<b>Total 10 investments</b>		<b>812,671,907</b>			

Source: Dragon Capital and Bloomberg (total return in US\$ terms in respective index)

### Source of Income (US\$)

	Year to 31 December 2019	Year to 31 December 2018
Bank interest income	20,283	39,832
Bond interest income	-	13,805
Dividend income	9,178,449	9,497,102
Net changes in fair value of financial assets at fair value through profit or loss	55,262,042	(160,010,507)
Gains on disposals of investments	13,543,010	79,887,179
Other income	-	-
<b>Total</b>	<b>78,003,784</b>	<b>(70,572,589)</b>

Source: Dragon Capital

# Environmental, Social and Governance Report

## VEIL’s Approach to Environmental, Social and Governance and Stewardship

As a long-term investor committed to sustainability, all investments made by Vietnam Enterprise Investments Limited (“VEIL”) are subjected to a rigorous environmental, social and governance (“ESG”) screening process adopted by Dragon Capital Group (“DCG”).

The ESG screening process comprises ten steps:

### Exclusion

Screening 1,628 listed companies across three exchanges in Vietnam by market cap and liquidity, the investible universe for VEIL consisted of 135 companies (at the end of 2019). Applying ESG exclusions and DCG’s proprietary risk-score rating, another 21 companies, or 16% of the total number of companies in the universe, were excluded. Eight out of these 21 companies are in the “Materials and Resources” sector, accounting for 50% of the sector market cap, which limits VEIL’s participation in the sector and reduces the room to diversify.

### Screening

Since the adoption of the ESG screening process, DCG has screened a total of 92 companies. All current 40 investees in VEIL’s portfolio have been reassessed during the last 12 months.

### Risk Rating

The 10-step screening process, which includes 41 in-depth questions, results in an ESG risk rating for each company based on eight Performance Standards.

### Compliance with ESG Policy

DCG has incorporated ESG risk ratings into its automated pre-trade approval system to ensure that only trade orders for companies with acceptable risk ratings can be executed.

### Engagement

Being a long-term, responsible

## Ten Steps of ESG Screening Process



investor, DCG believes that shareholder engagement with investee companies on ESG issues contributes to positive change, influences companies to take positive steps toward improving sustainability policies, practices and performance, and thereby protects and increases its economic value. During the last 12 months, DCG had a total of 13 engagements with six investees directly relating to ESG issues or incidents.

### Voting Rights

DCG exercises VEIL’s voting rights as a cornerstone of its stewardship and as an effective method in promoting good corporate governance. Through its vote, it aims to align the long-term interest and goals of VEIL’s investees and the economic interest of its investors.

### Advocacy

DCG has been at the forefront of ESG advocacy in Vietnam. It is a member and sponsor of several international and domestic organisations. The list of leading international and local organisations can be found in Table 3 on page 19.

## DCG ESG Policy

### Our Mission

*“To be a top-class intermediary of capital by providing attractive returns to investors, value to investee companies and a desirable workplace for employees. To perform with absolute professionalism and integrity, driven by a long-term commitment to the sustainable development of the environment, society and economy of the countries in which we operate.”*

DCG regards sustainable development as a fundamental aspect of its investment process. DCG’s ESG Policy was first introduced in 2002 and has since been revised and updated nine times to reflect an on-going commitment to improving standards in tackling the challenges of responsible and sustainable investment in Vietnam.

## Challenges of ESG in Public Investment in Vietnam

The key issues are:

**Lack of awareness:** As a developing nation and a frontier market, there is a general lack of awareness of ESG issues as economic growth is still the primary focus. This is true for most companies and corporate leaders in Vietnam.

**ESG standards:** While all projects in Vietnam are required to perform an ESG impact assessment, there is an inherent difference in the standards used in Vietnam compared to those internationally.

**Accessibility of information:** As an investor the biggest hurdle to assessing the ESG risks of any potential investment is the lack of information available to investors. This is especially true for State-Owned Enterprises.

**ESG in public investment:** Whilst there are many guidelines and examples of effective application of ESG standards for private investments, there is a distinctive lack of such guidelines for public investments.

## Environmental, Social and Governance Report (Continued)

### Environmental, Social and Governance Management System

Given the challenges above, DCG has, with the valuable assistance of the International Finance Corporation (“IFC”), created its own ESG Management System (“ESGM”). The ESGM, and with it DCG’s Responsible Investment strategy, is overseen by the ESG Core team, comprising a cross-section of DCG’s senior management.

The policies and procedures of ESGM are applicable to DCG’s investment universe with the goal of systematically managing ESG risks throughout the investment appraisal and management processes. DCG’s approach comprises ten steps:

#### 1. Value-based Investment Screening (Check Eligibility of Transaction Against Exclusion List)

The initial screening (or pre-screening) process is to identify the extent and complexity of the environmental and social (“E&S”) impact and risks of the potential investment. This step determines whether the potential investment needs to be excluded. It aims to ensure that investments are not made into companies which violate locally- and internationally-recognised norms for labour practices, health and safety standards, pollution avoidance, large-scale physical resettlement, commercial logging, harvesting of wild fish populations, and impacts on local peoples and cultures.

#### 2. E&S Risk Categorisation Based on Likelihood and Impact Criteria

An E&S risk categorisation system enables DCG to monitor and evaluate its exposure to E&S risk aggregated at portfolio level. This allows DCG to better manage and track changes in the overall risk profile of its portfolio and the associated E&S impacts of its investees. Drawn from the IFC and World Bank Group methodology, the current categorisation of the E&S risk level is based on industry sector criteria, the likelihood of significant adverse environmental and social

impacts and/or of potentially irreversible impacts and the extent of potential environmental and social impacts.

#### 3. Assessing the Environmental and Social KPIs Using In-house Due Diligence Process

Arguably the most critical part of the screening process, the ESG team will perform site visits to potentially high risk projects and sites and conduct interviews with the prospective investee’s leaders and ESG personnel using DCG’s own Environmental and Social Screening Check List (“Check List”) comprising 41 in-depth questions encompassing eight Performance Standards KPIs.

#### 4. E&S Risk Rating at Company Level

In order to quantify the level of risk of a potential investment the ESG team will, based on the previous three steps, evaluate and assign a risk score considering the following 3 factors:

- 1) **Management:** Commitment towards ESG risk management, sufficiency of ESG staffing and the ESGM.
- 2) **Performance:** Compliance with each of the eight performance standards and past incidents and subsequent corrective actions, if any.  
  
To reflect the unavailability of information DCG created a “**Knowledge Gap**” multiplier which amplifies the risk of any performance standard for which there is insufficient or unsatisfactory E&S information available.
- 3) **Communication:** (1) adequacy of disclosures and transparency in communication with stakeholders and (2) quantity and quality of ESG information available to DCG and other stakeholders upon request.

Based on the resulting risk rating companies will be categorised either as (1) Excellent, (2) Satisfactory,

(3) Partially Unsatisfactory or (4) Unsatisfactory. Any company that is assigned an “Unsatisfactory” risk rating will be deemed ineligible for investment.

#### 5. Corporate Governance Screening and Risk Rating

DCG has adopted the Vietnam Corporate Governance Scorecard to assess the investee company’s governance practices and to identify opportunities for systematic improvement. The scorecard is part of the IFC’s Corporate Governance Project in Vietnam that assists regulators, companies and organisations in developing their corporate governance standards, which are based on Vietnamese laws and regulations, the OECD Corporate Governance Principles and global best practice.

#### 6. Integrating ESG into Investment Decision and Documentation

All assessments, evaluation and analysis of ESG risks are documented and presented to the Investment Committee as an integral part of the investment process.

#### 7. Portfolio Monitoring and Management

Once an investment has been approved, analysts and portfolio management of the relevant fund need to monitor the investee’s ongoing compliance and performance with the identified ESG issues as ESG risks and compliance may change over time. DCG performs an annual review of the risk scoring for all existing investees to keep an up-to-date view of the ESG risk profile of the portfolio.

#### 8. Managing E&S Risk at Portfolio Level

At portfolio level, there are certain E&S risks that must be monitored and complied with. Specifically, there is a cap on the total exposure any portfolio may have in investments being evaluated as “Partially Unsatisfactory”. Additionally, these “Partially Unsatisfactory” investees will be closely monitored for a period of 12



## Environmental, Social and Governance Report (Continued)

months after investment, after which a reassessment will be conducted to determine whether there are improvements in E&S risks. Where improvements are not deemed satisfactory the exposure to such investee will be further restricted.

### 9. Documentation and Record Keeping

All documentation and records of ESG issues associated with each investment will be kept and stored on DCG's filing system.

### 10. Reporting

**Internal reporting:** Compilation of ESG findings and portfolio E&S risk profiles will be used for analysis to gain a better understanding of the overall exposure to ESG risk throughout investment portfolios.

**Incident reporting:** A critical part of the process is the engagement with investees. Analysts and portfolio management of the relevant fund promptly report serious ESG issues that result in loss of life, a material effect on the environment or a material breach of law to the ESG Core Team and DCG's management. Such serious incidents can have severe reputational implications for DCG and the funds it manages as well as their investors. Analysts and portfolio management of the relevant fund will follow-up on serious incidents as a matter of priority to investigate the cause and determine mitigating actions to avoid reoccurrence.

### On-going Update to ESGM

The ESGM is an on-going effort from DCG to evaluate the ESG risks of potential investments to the best of its abilities given the challenges. The system is subjected to constant review and will be updated if, and when, there are important developments that materially affect how DCG considers ESG risks of a potential and/or current investment.

An example is the recent update to the ESGM as a result of an incident that related to a fire at a residential project of one of the investments. In addition to multiple engagements

with the company management all of which were deemed positive, DCG also reviewed its ESGM and incorporated four further questions on the Performance Standard relating to Fire and Safety. The aim of these four questions is to raise the level of scrutiny on current and prospective investments.

### Voting Rights

As active, long-term owners of companies, exercising voting rights is one of the cornerstones of DCG's stewardship activities. Voting is essential in order to promote good corporate governance to align interests. In line with its fiduciary duty, DCG votes in a diligent and prudent manner, based on its reasonable judgement of what will best serve the economic interests of its investors.

So far as is practicable, DCG votes at the meetings called by the companies in which the funds are invested. To do this, DCG agrees its stance on a variety of key corporate governance issues, including disclosure and transparency, board composition, committee structure, director independence, auditor rotation and social and environmental issues. These guidelines form the basis of DCG's voting decisions, although they are equally cast on a case-by-case basis, taking into account the individual circumstances of each vote.

### Engagement

Being a long-term, responsible investor, DCG believes that shareholder engagement with investee companies on ESG issues contributes to positive change, influences companies to take positive steps toward improving sustainability policies, practices and performance, and thereby protects and increases its economic value. Engagement also gives DCG the opportunity to express its views and opinions to the senior management of companies and promote knowledge sharing challenges and practices. By enhancing its knowledge on specific issues, DCG can make more informed investment

decisions in relation to investee companies or the relevant industry and add value to society.

Within the last 12 months, DCG had a total of 13 engagements with six investees directly relating to E&S issues or incidents.

A sample of Engagement report can be found in Tables 1 and 2 on pages 16 to 17 accordingly.

### Advocacy

Dragon Capital has been at the forefront of investor initiatives to encourage corporate sustainability, transparency and accountability, and is involved in dialogues with policy makers on legislation of capital markets, renewable energy and ESG practices. We view policy advocacy as essential for responsible investors and key to strengthening the stability and integrity of the financial sector and delivering wider economic benefits.

By joining forces with leading international and local organisations in sustainability initiatives, we underline our ambition and approach to responsible investment and corporate governance.

The list of the leading international and local organisations can be found in Table 3 on page 18.

### The Dragon Capital Chair in Biodiversity Economics at the University of Exeter

In addition to those above, DCG has engaged in philanthropic partnerships with the University of Exeter in the UK and The Institute of Strategy and Policy on Natural Resource and Environment ("ISPONRE") in Vietnam to address the central question of whether there is any correlation between biodiversity and the success of the economy and whether individuals and organisations can, and should, place an economic value on biodiversity.

A generous £1 million donation from Dominic Scriven, Chairman of DCG, enabled DCG to contribute

## Environmental, Social and Governance Report (Continued)

to the creation of a “Dragon Capital Chair in Biodiversity Economics” at the University of Exeter. This is one of the key activities to celebrate the 25th anniversary of the establishment of DCG (26 September 1994 – 26 September 2019). The Dragon Capital Chair will research the link between biodiversity and economic performance. Over the next five years, DCG and the University of Exeter will together commit £1.6 million to fund the new academic position. The research by the University of Exeter and ISPONRE will also influence intergovernmental bodies such as the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services on the design of economic incentives that allow businesses to pursue biodiversity investments legitimately while upholding fiduciary duties.

### Climate Change and Greenhouse Gas Emission

DCG acknowledges its role as a responsible investor to integrate climate risk related indicators into its investment process. However, among listed companies there is a low level of awareness and insufficient information disclosure on the impact of climate change and how this risk should be addressed. Although there has been some improvement from blue-chip companies, the majority of listed companies still have problems in responding to the growing demands from investors for disclosure of operational carbon emission, as related data are not always available in most organisations in Vietnam.

Climate change will remain an important issue in DCG’s engagement. In this context, DCG will continue its efforts in encouraging investee companies to work on energy efficiency, shift towards to the use of renewable energy and disclose their carbon footprint information, and actively engage with market participants and policy makers to make constructive suggestions in this important topic.

### Carbon Neutral

DCG is conscious of the effects it has on the environment and the positive impact it can make to communities. It is of paramount importance to DCG to take action to do all it can to make a positive contribution. To help combat global warming and to lead by example, DCG has been Carbon Neutral since 2005, and currently supports the Biogas Program initiated by the Netherlands Development Organisation and the Ministry of Agriculture and Rural Development of Vietnam. The project converts animal waste to energy via biogas digesters to produce clean and affordable energy for cooking. 790,000 people in 55 provinces in Vietnam benefit from the project and around 500,000 tons of CO<sub>2</sub> are reduced annually. Emission reductions from the project are verified and certified to the Gold Standard of Voluntary Carbon Emission Reductions and the project was awarded the Energy Globe Award (2006), the Ashden Award (2010) and the World Energy Award (2012) and the Nominee, Zayed Future Energy Prize (2016).

## Environmental, Social and Governance Report (Continued)

**Table 1: Sample of Engagement Report**

Company	Company A
Industry	Steel
Issues	Company A is in the process of constructing their biggest steel plant to date. The company made media headlines on several occasions regarding environmental issues.
Duration of engagement	<ul style="list-style-type: none"> <li>Continuously throughout the year</li> </ul>
Detail of engagement and recommendations	<p>Meetings with top management and ESG personnel, site visits and scrutinizing available information. Management demonstrated awareness of environmental issues and sought to comply with regulations, evidenced as follows:</p> <ul style="list-style-type: none"> <li>Ministry of National Resources and Environment (“MONRE”) verified that all air emission numbers followed national standards.</li> <li>Provincial government bodies concluded that certain environmental issues originated from a nearby wood/furniture company.</li> <li>Company A carried out dredging in compliance with national standards and with the approval of MONRE.</li> <li>Company A provided evidence that the relevant land plot has been legitimately assigned to Company A.</li> </ul> <p>Improvement recommendations made to Company A:</p> <ul style="list-style-type: none"> <li>Clear and concise external communication with stakeholders.</li> <li>Disclosure of procedures and monitoring practices (conformance to ISO 14001:2015).</li> <li>Continuous review and fine-tuning of ESG processes.</li> </ul>
Decision and outcome	<p>Positive</p> <ul style="list-style-type: none"> <li>Confirmed that Company A management’s awareness of the importance of ESG issues.</li> <li>Obtained evidence, through site visit and data received, that Company A follows national standards.</li> </ul> <p><b>Decision:</b> Continue engagement with ESG personnel and management to monitor ESG risks at the project until its completion and for at least 6 months after Commercial Operating Date.</p>

## Environmental, Social and Governance Report (Continued)

Table 2: Sample of Engagement Report

Company	Industry	Issue	Details of engagement	Decision and outcome
A	Materials & Resources	ESG concerns made headlines regarding the construction of a major steel plant.	Repeated engagement through meeting with top management and ESG personnel. Site visit and obtained evidence of ESG compliance.	<b>Positive:</b> Satisfactory evidence from data and site visit. Due to the scale of the project, continuous monitoring is required.
B	Real Estate	Fire incident at a retail shopping space.	Engaged with the company to understand the incident.	<b>Positive:</b> Conclusion from authority that the incident was caused by tenant. There was no loss of life and adequate fire safety measures were in place according to the national laws.
C	Real Estate	Fire incident at a residential project.	Engaged with the company to understand the incident.	<b>Positive:</b> Conclusion from authority that the incident was caused by condo owner. There was no loss of life and adequate fire safety measures were in place according to the national laws.
D	Capital Goods/ Utilities	Contaminated water source which impacted water provision for the capital - Hanoi	Repeated engagement due to the severity and the scale of the issue.	<b>Positive - to be monitored:</b> DCG was satisfied with the corrective actions from the company: 1) Public apology from the company. 2) Offer to supply free water to affected households. 3) Daily report to the public to evidence the security of water supply.
E	Real Estate	Project development that involved the restoration and improvement of a heritage site	Raised issue with the company regarding public concerns on potential damage to the heritage site	<b>Positive:</b> The company presented the guarantees it made to local authority that the master plan of the project development will not involve the destruction of the site but rather a restoration and improvement.
F	Financial	Social and media uproars regarding aggressive loan collection methodology	Engaged with the company to understand the situation and discussed potential solution.	<b>Neutral - to be monitored:</b> The company confirmed that its loan collection service is outsourced and has since implemented greater supervision on the collection methodology. There have been no material media reports since but closed monitoring is still required.

## Environmental, Social and Governance Report (Continued)

Table 3: List of Leading International and Local Organisations

 Institutional Investors Group on Climate Change	Institutional Investors Group on Climate Change (“IIGCC”)	Member Since 2010 IIGCC is an investor network on climate change; the group works with business and policy makers, as well as investors to help mobilise capital for the transition to a more sustainable economy.
	Asian Corporate Governance Association (“ACGA”)	Member Since 2010 ACGA is an independent organisation dedicated to implementing effective corporate governance practices throughout Asia. ACGA believes that good governance is fundamental to the region’s economies and capital markets.
	Principles for Responsible Investment (“PRI”)	Member Since 2013 PRI initiative is a network of international investors working together to put the six Principles for Responsible Investment into practice. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.
	Nexus for Development (“Nexus”)	Member Since 2013 Nexus for Development drives access to finance in developing economies across Asia to increase sustainable energy and water resource development, advance climate positive solutions, and scale local implementers.
 <b>GREEN GROWTH</b> <small>A EuroCham Vietnam Sector Committee</small>	Green Growth Sector Committee (“GGSC”)	Member Since 2014 GGSC facilitates the mainstreaming, abolishment of barriers and development of the conditions that are essential for Green Business to prosper in Vietnam. Focus areas include renewable energy, energy efficiency, clean technologies, financing green growth, green buildings and urban and industrial green growth.
	Vietnam Business Forum (“VBF”)	Member Since 1997 VBF is an on-going policy dialogue channel between the Government of Vietnam and business community towards a favorable business environment since 1997. Dominic Scriven, Chairman of Dragon Capital is the head of Capital Market Working Group (“CMWG”). Established and developed with the aim at supporting the formation and development of the capital market, and the institutions that populate them, the CMWG has initiated suggestions to favourable changes in the market.
	The Vietnam Institute of Directors (“VIOD”)	Member Since 2018 Established in 2018 VIOD aims to advance board professionalism, promote business ethics and transparency, create a pool of independent directors, build a network to connect corporate leaders and stakeholders, and help companies gain investor confidence.
 <b>VIETNAM LISTED COMPANY AWARDS</b>	Vietnam Listed Company Awards (“VLCA”)	Co-organiser and sole sponsor since 2008 VLCA was initiated in 2008 by Dragon Capital. VLCA has been co-organised by Ho Chi Minh Stock Exchange, Ha Noi Stock Exchange, Vietnam Investment Review and Dragon Capital Group. Since 2013, a further ESG awareness push, in a more general industry-wide initiative, ARA’s organisers launched Sustainability Reporting Awards, and Best Corporate Governance Awards.

# Corporate Governance Statement

## Introduction

The Board of Directors is committed to high standards of corporate governance and has put in place a framework for corporate governance which it believes is appropriate for a listed investment company.

## Compliance with Corporate Governance Codes

Vietnam Enterprise Investments Limited (the "Company") is a member of the Association of Investment Companies (the "AIC") which has published the 2019 AIC Code of Corporate Governance (the "2019 AIC Code"). The 2019 AIC Code applies to accounting periods beginning on or after 1 January 2019.

The Board has considered the Principles and Provisions of the 2019 AIC Code. The 2019 AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the 2019 AIC Code, which has been endorsed by the Financial Reporting Council (the "FRC"), provides more relevant information to shareholders.

The FRC published a new version of the UK Code in July 2018 which applies to accounting periods beginning on or after 1 January 2019. Following discussions with the AIC on an update to the AIC Code, the FRC confirms that member companies who report against the 2019 AIC Code will be meeting their obligations in relation to the UK Code. This endorsement means that AIC member companies may also make a statement that, by reporting against the 2019 AIC Code they are meeting their obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such do not need to report further on issues contained in the UK Code which are irrelevant to them.

The 2019 AIC Code is available on the AIC website ([www.theaic.co.uk](http://www.theaic.co.uk)). It includes an explanation of how the 2019 AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

The 2019 AIC Code, which is relevant to the year ended 31 December 2019, is made up of 18 Principles and 42 Provisions covering:

- Board leadership and purpose;
- Division of responsibilities;
- Composition, succession and evaluation;
- Audit, risk and internal control; and
- Remuneration.

For the year ended 31 December 2019, the Company has complied with the Principles and Provisions of the 2019 AIC Code and, as such, also met the Principles and Provisions of the 2018 UK Code.

The Company complies with the corporate governance statement requirements pursuant to the UK Financial Conduct Authority's ("FCA") Disclosure and Transparency Rules by virtue of the information included in the corporate governance section of this annual report.

The Board believes that this annual report and the financial statements present a fair, balanced and understandable assessment of the Company's position and prospects, and provide the information necessary for shareholders to assess the Company's performance, business model, strategy, principal risks and uncertainties.

## S.172 of the UK Companies Act 2006

The Board is aware of the duty under s.172 of the UK Companies Act 2006 for directors of UK companies to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long-term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the Company,

(the "s.172 matters").

S.172 of the UK Companies Act 2006 is not directly applicable to the Company as a non-UK company. However, in accordance with Provision 5 of the 2019 AIC Code, the Board is required to disclose how the s.172 matters have been considered in board discussions and decision-making. The Company maintains a long-term strategy with no employees. The Board and the Investment Manager have adequate and regular shareholder liaison. More information on the Company's operations, business of conduct, and fair treatment can be found in the Environmental, Social and Governance Report on pages 13 to 19.

## Listing Rule 9.8.4C

Listing Rule 9.8.4C requires the Company to include certain information in a single identifiable section of this annual report or a cross reference table indicating where the information required in LR 9.8.4 R is set out. The Directors confirm that there are no disclosures to be made in this regard, other than in accordance with LR 9.8.4(5) and LR 9.8.4(6), the information of which is detailed in Note 12 to the financial statements (under "Directors' fees"), and LR 9.8.4(10), the information of which is detailed on page 34 under "Directors' Interests in Contracts".

## Corporate Governance Statement (Continued)

### Directors

The following were Directors during the year to 31 December 2019 and to the date of this report:

- Wolfgang Bertelsmeier: Chair & Independent Non-Executive Director (until 30 June 2019)
- Stanley Chou: Chair (from 30 June 2019) and Senior Independent Non-Executive Director (until 30 June 2019)
- Gordon Lawson: Senior Independent Non-Executive Director (from 30 June 2019) and Independent Non-Executive Director (until 30 June 2019)
- Derek Loh: Independent Non-Executive Director
- Vi Peterson: Independent Non-Executive Director
- Entela Benz-Saliasi: Independent Non-Executive Director (from 16 May 2019)
- Dominic Scriven O.B.E: Non-Executive Director

The Board consists of six Non-Executive Directors, five of whom are independent of the Investment Manager, whose individual knowledge and experience provide a balance of skills and expertise relevant to the Company and it is considered that they commit sufficient time to the Company's affairs. The biographical details of the Directors are provided on page 32. During the reporting period, Wolfgang Bertelsmeier did not stand for re-election and ended his chair role on 30 June 2019, succeeded by Stanley Chou, and Entela Benz-Saliasi was appointed on 16 May 2019.

The Chair, Stanley Chou, is non-executive and independent of the Investment Manager. The Chair leads and ensures the effectiveness of the Board in all matters relating to the Company, including receiving accurate and timely information. There is a clear separation of roles and responsibilities between the Chair of the Board, the Chairs of the Board Committees (the Audit and Risk Committee, the Management

Engagement Committee and the Nomination and Remuneration Committee), the Directors, the Investment Manager and the Company's third party service providers.

Dominic Scriven O.B.E is the Executive Chair of Dragon Capital Group Limited, the parent of the Investment Manager. He is, therefore, not an independent Director. There are no Executive Directors on the Board.

Details of the individual board remuneration of Directors and their beneficial interests in the Company as well as details of the Board Committees and their composition are disclosed in this Corporate Governance Statement. Please note that Dominic Scriven O.B.E does not participate in any Board Committees.

New Directors are provided with an induction programme, which is tailored to the particular circumstances of the new Director. Following the appointment, the Chair reviews and agrees with new Directors their training and development needs covering specific Company matters as well as industry issues.

The Board is supplied, via the Investment Manager, with information to enable the Directors to discharge their duties. The Investment Manager, with the support of the Company's Legal Advisers, provides the Board with regular updates on regulatory issues and on the latest corporate governance rules and regulations.

### Directors' Duties and Responsibilities

The Directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- Statutory obligations and public disclosure;
- Strategic matters and financial reporting;

- Board composition and accountability to shareholders;
- Risk assessment and management, including reporting, compliance, monitoring, governance and control; and
- Other matters having material effects on the Company.

These Reserved Powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Board meets at least quarterly. Each meeting is attended by representatives from the Investment Manager. Representatives from the Investment Manager are also in attendance at relevant Committee meetings if requested by the Committee Chairs. Open, constructive debate and discussion is encouraged by the Chair of the Board and each Committee to ensure that the best interests of the Company are maintained.

The Board has standing agenda items for its quarterly scheduled Board meetings and periodic Audit and Risk Committee, Management Engagement Committee and Nomination and Remuneration Committee meetings to review the Investment Manager's performance, risk management and other matters relating to the operations and regulation of the Company. This includes reviewing the portfolio performance, attribution analysis, contributors and detractors to performance, weightings and portfolio information including purchases and sales, as well as the macro economy and stock market outlook.

The Board also performs a review of the share price performance, the discount and the share buy back policy, as well as credit facilities.

The Board sets the overall Company strategy and regularly reviews its

## Corporate Governance Statement (Continued)

progress to ensure that its goals and objectives are being met.

The Board continually monitors the share price discount to Net Asset Value (“NAV”) daily and exercises its right to buy back shares when the Board considers that it is in shareholders’ interests to do so.

The matter is reviewed at each quarterly Board meeting with the Directors receiving updates from the Investment Manager which includes updates from the Company’s Corporate Broker.

### Board and Committees

The Board has established three committees: the Audit and Risk Committee, the Management Engagement Committee and the Nomination and Remuneration Committee. The responsibilities of the three Committees are described below. Dominic Scriven O.B.E does not participate in any Board Committees.

### Audit and Risk Committee

The Audit Committee was formed on the listing of the Company on the main market of the London Stock Exchange on 5 July 2016. With effect from 1 July 2018, the Audit Committee was expanded to become the Audit and Risk Committee.

As of 31 December 2019, the Audit and Risk Committee comprises:

- Gordon Lawson, Chair
- Derek Loh
- Entela Benz-Saliasi

Detailed information on the Audit and Risk Committee can be found in the Report of the Audit and Risk Committee on pages 30 to 31.

### Management Engagement Committee

The Management Engagement, Nomination & Remuneration Committee was formed on listing of the Company on the main market of the London Stock Exchange on 5 July 2016. With effect from

1 July 2018, the Management Engagement, Nomination & Remuneration Committee was split into the Management Engagement Committee and the Nomination and Remuneration Committee.

As of 31 December 2019, the Management Engagement Committee comprises:

- Vi Peterson, Chair
- Stanley Chou
- Gordon Lawson

The Chair of the Management Engagement Committee reports to the Board after each meeting on all matters within its duties and responsibilities. The Management Engagement Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Board considers the arrangements for the provision of investment management services to VEIL on an on-going basis and a formal review is conducted annually by the Management Engagement Committee which consists solely of Directors independent of the Investment Manager. The review considers investment strategy, investment process, performance and risk and is carried out through meetings between the Management Engagement Committee and the Investment Manager. As part of this review, the Board considered the quality and continuity of the personnel assigned to handle VEIL’s affairs, the investment process and the results achieved to date. The Directors believe that the Investment Manager has the resources and ability to deliver the results which they seek.

During the reporting period, the Management Engagement Committee met twice to discuss and assess service providers covering marketing and research, fund administration, custody, and investment management of the Company. In particular, the Management Engagement

Committee engaged the Company’s Administrator and the Custodian for a full review of their services which has resulted in a reduced fee schedule. The Management Engagement Committee was satisfied with their performance as well as their fees.

### Nomination and Remuneration Committee

During the reporting period, the Nomination and Remuneration Committee met twice to discuss, among other matters, the proposed candidates identified by Executive Access, an international search consultancy for candidates of independent Directors whose knowledge and experience provide a balance of skills and expertise relevant to the Company. As a result, the Nomination and Remuneration Committee chose to nominate Entela Benz-Saliasi to join the Board taking effect from 16 May 2019.

As of 31 December 2019, the Nomination and Remuneration Committee comprises:

- Derek Loh, Chair
- Vi Peterson
- Entela Benz-Saliasi

The Nomination and Remuneration Committee performs an annual review of the Directors’ skills, experience, length of service and knowledge of the Company and the structure, size and composition (including gender) of the Board. The skills, experience and length of service of each Director are detailed in the Directors’ biographies on page 32. The selection policy of the Board is to appoint the best qualified person for the job, by considering the Board’s diversity, in order to achieve a combination of skills, experience and knowledge. The Board is satisfied that the current blend of diversity, skills and experience prompts informed decision making and does not deem it necessary to alter the mix at present. The Nomination and Remuneration Committee periodically reviews the



## Corporate Governance Statement (Continued)

level of Directors' fees relative to other comparable companies and in light of the Directors' responsibilities. In doing so, the Nomination and Remuneration Committee has access to independent research.

The Board's policy is that the remuneration of Non-Executive Directors should reflect the responsibilities of the Board, the experience of the Board as a whole and be fair and comparable to that of other investment companies of similar size, capital structure and investment objective. Details of the Directors' remuneration can be found on page 23 and in Note 12 to the financial statements. The Directors' interests (including interests of connected persons) can be found within the Report of the Board of Directors on pages 34 to 35.

The Nomination and Remuneration Committee, which is entirely comprised of independent Directors, regularly reviews the Board's structure, size and composition and makes recommendations to the Board with regard to any adjustments that seem appropriate, considers the rotation and renewal of the Board, approves the candidate specification for all Board appointments, approves the process by which suitable candidates are identified and short-listed, and nominates candidates for consideration by the full Board, whose responsibility is to formally make appointments.

Independence is maintained as five of the six Non-Executive Directors on the Board, as at the date of this annual report, are independent of the Investment Manager.

### Directors' Remuneration Report

The Nomination and Remuneration Committee is responsible for determining the level of Directors' fees. The terms of reference are available on request. The Board has prepared this Remuneration Report duly considering the recommendations of the AIC Code. This part of the Remuneration Report provides details of the

Company's Remuneration Policy for Directors. This policy takes into consideration the principles of UK Corporate Governance and the AIC's recommendations regarding the application of those principles to investment companies. Directors' remuneration is determined by the Nomination and Remuneration Committee.

The Directors are non-executive, and their fees are set within the limits of the Company's Restated and Amended Memorandum and Articles of Association (the "Articles") which limit the aggregate fees payable to the Board of Directors per annum, currently US\$200,000. The level of the cap may be increased by shareholders' resolutions from time to time. Subject to this overall limit, the Board's policy is that the remuneration of Non-Executive Directors should reflect the nature of their duties, responsibilities and the value of their time spent and be fair and comparable to that of other investment trusts and companies that are similar in size, have a similar capital structure and have a similar investment objective. No shareholder views were sought in setting the Remuneration Policy although any comments received from shareholders would be considered on an on-going basis.

Fee rates were established by reference to current market levels.

- Member of Board only: US\$25,000 per annum
- Chair of the Board: +US\$10,000 per annum
- Chair of the Audit and Risk Committee: +US\$5,000 per annum
- Member of the Audit and Risk Committee: +US\$2,500 per annum
- Chair of the Management Engagement Committee: +US\$5,000 per annum
- Member of the Management Engagement Committee: +US\$2,500 per annum
- Chair of the Nomination and Remuneration Committee:

+US\$5,000 per annum

- Member of the Nomination and Remuneration Committee: +US\$2,500 per annum

### Board Independence, Composition and Diversity

The Board supports the principle of boardroom diversity. The selection policy of the Board is to appoint the best qualified person for the job, by considering factors such as diversity of thoughts, experience and qualification for the effective conduct of the Company's business. New appointments are identified against the requirements of the Company's business and the need to have a balanced Board. The Board is presently undertaking a review of its composition to ensure thorough and complete gender and ethnic diversity so as to ensure that the interests of the Company are fully protected and preserved.

As at 31 December 2019, the Board consisted of five Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

### Directors' Appointment and Policy on Payment of Loss of Office

Each of the Directors has an appointment letter with the Company. The terms of the appointment provide that a Director will be subject to re-election at each Annual General Meeting ("AGM"). A Director may be removed from office following three months' notice.

The Board does not have a formal policy requiring Directors to stand down after a certain period. The Board has the Nomination and Remuneration Committee which regularly reviews the Board's structure, size, gender and composition and makes recommendations to the Board with regard to any adjustment that seems appropriate.

Directors' & Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

## Corporate Governance Statement (Continued)

### Appointment

- All the Directors are non-executive, appointed under the terms of Letters of Appointment.
- The Directors will be subject to election at the first AGM after their appointment and to re-election annually thereafter.
- New appointments to the Board will be placed on the fee applicable to all Directors at the time of appointment (currently US\$25,000).
- No incentive or introductory fees will be paid to encourage a directorship.
- The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.
- The Company indemnifies the Directors for costs, charges, losses, expenses and liabilities which may be incurred in the discharge of duties, as a Director of the Company.

### Performance, Service Contracts, Compensation and Loss of Office

- No Director has a service contract.
- Compensation will not be due upon leaving office.
- No Director is entitled to any other monetary payment of any assets of the Company.

### Changes to the Board During the Reporting Period

On 25 March 2019, Wolfgang Bertelsmeier informed the Board that, in line with corporate governance best practice with regard to tenure, he would step down as Chair of the Company and resign from the Board taking effect from 30 June 2019.

The Board has elected Stanley Chou, senior independent non-executive director at that time, to replace Wolfgang Bertelsmeier as Chair of the Company after Wolfgang Bertelsmeier's resignation from the Board on 30 June 2019. The Board

Committees were reviewed and their composition was re-constituted effective from 1 July 2019. Stanley Chou offered himself for re-election to the Board in the usual way at the AGM of the Company on 8 July 2019.

The Nomination and Remuneration Committee appointed Executive Access, an international search consultancy to identify candidates who might replace Wolfgang Bertelsmeier as director. The Nomination and Remuneration Committee assessed potential candidates based on merit and objective criteria and considered the Board's diversity, to achieve the most appropriate combination of skills, experience and knowledge. As a result, Entela Benz-Saliasi was appointed on 16 May 2019 and she stood for election at the AGM held on 8 July 2019.

### Re-election of Directors

All Directors stand for re-election annually at the AGM.

The Nomination and Remuneration Committee considers the effectiveness of individual directors and makes recommendations to the Board in respect of re-elections.

### Conflict of Interests

The Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process. Directors are required to disclose all actual and potential conflicts of interest to the Chair in advance of any proposed external appointment.

In deciding whether to approve an individual Director's participation, the other Directors will act in a way they consider to be in good faith in assessing the materiality of the conflict in accordance with the Company's Articles.

The Board believes that its powers of authorisation of conflicts of interest

have operated effectively. The Board also confirms that its procedure for the approval of conflicts of interest, if any, has been followed by the Directors. None of the Directors had a material interest in any contract which is significant to the Company's business. Directors' holdings in the Company can be found within the Report of the Board of Directors on pages 34 to 35.

### Succession Planning

Following the findings of the external board assessment by Trust Associates Ltd. in 2018, the Nomination and Remuneration Committee met twice and held two conference calls to discuss, among other matters, its plans for succession planning and its commitment to good corporate governance practices.

### Performance Evaluation

The Board undertakes an annual evaluation of its own performance and that of its committees and individual directors, including the Chair. The Board also considers the independence of each Director.

The Board is satisfied that the performance of each committee and individual director, including the Chair, is effective and they demonstrate commitment to their role.

### Induction/Information and Professional Development

The Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice from, amongst others, the Company Secretary and the Auditor. Advisers to the Company also prepare reports for the Board from time to time on relevant topics and issues.

When a new Director is appointed to the Board, he/she will be provided with all relevant information

## Corporate Governance Statement (Continued)

regarding the Company and his/her duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Manager in order to learn more about its processes and procedures. During the reporting period, Entela Benz-Saliasi was appointed on 16 May 2019.

### Attendance at Scheduled Meetings of the Board and Its Committees for the Year

Table 1 on page 29 lists the number of board and committee meetings attended by each Director. During the year ended 31 December 2019, there were four board meetings, two Audit and Risk Committee meetings, two Management Engagement Committee meetings and two Nomination and Remuneration Committee meetings.

### Relationship with the Investment Manager, the Company Secretary and the Administrator

The Board has delegated various duties to external parties including the management of the investment portfolio, the custodial services (including safeguarding of assets), registration services and day-to-day company secretarial, administration and accounting services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

### Investment Manager

Enterprise Investment Management Limited (the "Investment Manager") provides investment management and advisory services to the Company in accordance with the terms of an investment management agreement dated 23 May 2016 between the Company and the Investment Manager (the "Investment Management Agreement").

Under the Investment Management Agreement, the Investment Manager is entitled to receive a monthly

management fee for its services, which accrues daily based on the prevailing NAV. With effect from 1 August 2017, the annual management fee payable to the Company's Investment Manager, Enterprise Investment Management Limited, was amended from the 2.00% of net assets per annum as follows: the fee of 2.00% per annum continued to apply to the first US\$1.25 billion of the Company's net assets but shall reduce to 1.75% per annum for net assets between US\$1.25 billion and US\$1.5 billion and further reduce to 1.50% per annum for net assets above US\$1.5 billion. The Investment Manager is not entitled to a performance fee.

The Investment Manager's appointment will continue until terminated under the provisions of the Investment Management Agreement. The Company has a right to terminate the Investment Management Agreement giving 24 months' notice in writing to the Investment Manager. The Investment Management Agreement may also be terminated with immediate effect on the occurrence of certain events, including insolvency or material and continuing breach.

The Investment Manager has invested the assets of the Company with a view to spreading the investment risk in accordance with its published investment policy as set out in the Portfolio Manager's Report on pages 5 to 12.

The Board, on the advice of the Management Engagement Committee, continues to believe that in light of the Company's strategy and performance, the appointment of the Investment Manager on the terms set out above and in Note 12 to the financial statements is in the interest of the Company's shareholders as a whole.

Both the Board and the Investment Manager have formalised agreements and have a clear understanding of the operational policies laid out between the parties. These rules are detailed in a number of ways –

with the Investment Management Agreement or through other policies such as discount management.

The Board is ultimately responsible for ensuring that a sound system of internal controls of the Company is maintained to safeguard shareholders' investments and the Company's assets.

The Audit and Risk Committee undertakes an annual review of the effectiveness of the Company's system of internal controls and the Directors believe that an appropriate framework is in place to meet the requirement of ensuring a sound system of internal controls is in place by the Company.

Furthermore, the Board has an ongoing process for identifying, evaluating and managing risks to which the Company is exposed including those contained within the performance of the investment management activities. The key risks facing the Company are disclosed in Note 15 to the financial statements. These risks are monitored as part of the normal oversight process. Risk management and the operation of the internal control systems within the Company are primarily the responsibility of the Investment Manager, which operates under commercial independence with flexibility to ensure that risks are clearly managed and that systems of control operate effectively. The Investment Manager monitors activities on a daily basis and ensures that the appropriate controls are exercised over the Company's assets. The systems of internal control operated by the Company are designed to manage rather than eliminate risk of failure in achieving its objectives and will only provide reasonable and not absolute assurance against material misstatement or loss.

The Board receives and considers reports regularly from the Investment Manager, with ad hoc reports and information supplied to the Board as required. The Investment Manager takes decisions as to the purchase

## Corporate Governance Statement (Continued)

and sale of individual investments, within the delegated authority established by the Board. The Investment Manager complies with the risk limits as determined by the Board and has systems in place to monitor cash flows and the liquidity risk of the Company.

The Investment Manager and Standard Chartered Bank (the "Administrator") also ensure that all Directors receive, in a timely manner, all relevant financial information about the Company's portfolio. Representatives of the Investment Manager, the Corporate Broker and the Compliance Advisor attend each Board meeting as required, enabling the Directors to probe further on matters of concern. The Directors have access to the advice and service of the Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with. The Board, the Investment Manager and those service providers operate in a supportive, co-operative and open environment.

At each Board meeting, a representative of the Investment Manager is in attendance to present verbal and written reports covering its activity, the portfolio and investment performance over the preceding period. Ongoing communication with the Board is maintained between formal meetings. The Investment Manager ensures that Directors have timely access to all relevant management, financial and regulatory information to enable informed decisions to be made. The Investment Manager contacts the Board as required for specific guidance on particular issues.

### Administrator and Custodian

Custody and settlement services are undertaken by Standard Chartered Bank. The Board has delegated the exercise of voting rights attaching to the securities held in the portfolio to the Investment Manager. The Investment Manager follows a proxy

voting policy when voting, which provides for certain matters to be reviewed on a case-by-case basis.

Proxy voting is an important part of the corporate governance process, and the Investment Manager views its obligation to manage the voting rights of the shares in investee companies seriously as it would manage any other asset. Consequently, votes are cast both diligently and prudently, based on its reasonable judgment of what will best serve the financial considerations of the Company. So far as is practicable, the Investment Manager votes at all of the meetings called by companies in which the Company invests. In order to do this, the Investment Manager agrees its stance on a variety of key corporate governance issues, including disclosure and transparency, board composition, committee structure, director independence, auditor rotation and social and environmental issues. These guidelines form the basis of its proxy voting decisions, although they are equally cast on a case-by-case basis, taking into account the individual circumstances of each vote.

### Company Secretary

The Company appointed Maples Secretaries (Cayman) Limited as the Company Secretary with effect from 21 October 2013.

### Shareholder Engagement

The Board believes that the maintenance of good relations with shareholders is important for the long-term prospects of the Company. It has, since admission, sought engagement with shareholders. Where appropriate the Chair and other Directors are available for discussion about governance and strategy with major shareholders and the Chair ensures communication of shareholders' views to the Board.

The Board receives a monthly analysis of beneficial shareholders of the Company. During the year ended 31 December 2019, the Investment Manager had periodic meetings with larger shareholders

to discuss aspects of the Company's performance. The Directors are made fully aware of their views. The Chair and Directors make themselves available as and when required to address shareholder queries. Shareholders wishing to raise questions are encouraged to write to the Company's Administrator at the address shown on page 70 or contact the Investment Manager using the contact details also provided on page 70.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board and encourages participation. The AGM will be attended by at least one Director. There is an opportunity for individual shareholders to question the Directors at the AGM. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will be posted on the Company's website and the London Stock Exchange's website following the meeting.

The Board actively leads or participates in discussions on, or approves the content of, all significant external communications. During this process, relevant stakeholders such as the Investment Manager, the Auditor, the Legal Adviser and the Corporate Broker are engaged as and when required.

The Board aims to keep shareholders informed and up to date with information about the Company. This includes information contained within annual reports, semi-annual reports, monthly reports and weekly reports as well as notices of any significant events to registered shareholders.

The Company also releases information through the London Stock Exchange. The Company's website ([www.veil-dragoncapital.com](http://www.veil-dragoncapital.com)) displays the latest news, price and performance information and portfolio details. Shareholders also have the opportunity to have the latest Company information downloaded from the website.

## Corporate Governance Statement (Continued)

### Internal Audit

The Company does not have its own internal audit function but places reliance on the internal audit, compliance and other control functions of its service providers.

### Internal Control

The Audit and Risk Committee is responsible for reviewing the effectiveness of the Company's system of internal control. The Board reviews the ongoing processes for identifying, evaluating and monitoring the significant risks faced by the Company.

Detailed information on the risk management and internal controls in relation to the Company's financial reporting process can be found in the Report of the Audit and Risk Committee on pages 30 to 31.

### Principal Risks and Uncertainties

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity on a quarterly basis. This includes assessment on strategic, business, financial, operational, IT and compliance risks. The principal risks and uncertainties identified by the Board, together with the way in which the Board seeks to manage those risks, can be found in Note 15 to the financial statements. The Directors have not identified any other principal risks or uncertainties during the reporting period.

### Viability Statement

The Directors have assessed the prospects of the Company over a three-year period to 31 December 2022. The Directors believe that this period is appropriate because it would provide the Investment Manager the time needed to successfully unlock the value of the Company's underlying portfolio.

In its assessment of the viability of the Company, the Directors have considered each of the Company's principal risks and uncertainties

including the total collapse of one or more of the Company's significant holdings together with the Company's income and expenditure projections, credit facility and assets that are easily realisable and that can be sold to meet funding requirements.

Following the Board's detailed analysis, it has concluded that, based on the Company's current position, the principal risks that it faces and their potential impact on its future development and prospects, there is a reasonable explanation that the Company will be able to continue in operation and meet its liabilities when they fall due over the three-year period to 31 December 2022.

### Going Concern

The Directors have reviewed the liquidity of the Company's portfolio and the Company's ability to meet its obligations as they fall due for a period of at least 12 months from the date that these financial statements were approved. On the basis of that review and after due consideration of the balance sheet and activities of the Company and the Company's assets, liabilities, commitments and financial recourses, the Directors have concluded that the Company has adequate resources to continue its operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

### Annual General Meeting

The AGM took place at 2406, 24/F, 9 Queen's Road, Central, Hong Kong on 8 July 2019 at 14:00pm (Hong Kong time).

The result of this AGM can be found on page 33.

### Authority for Share Buy Backs and Discount Management

The shareholders approved at the Company's AGM on 8 July 2019 a special resolution to undertake share purchases up to a maximum amount equal to 14.99% of the issued share capital. This special resolution

was passed and shall expire on 31 December 2020.

The Directors' intention is to implement an active discount management policy if they believe it to be in shareholders' interests as a whole and as a means of correcting any imbalance between the supply of and demand for the Company's Ordinary Shares of US\$0.01 (the "Shares"). A share buy-back programme was carried out in 2019. The details of the share buy-back programme in 2019 can be found in Table 2 on page 29. In total 1,517,990 Shares were bought back during the year, representing 0.69% of the issued share capital.

The Shares repurchased are held in treasury. The Company held 2,858,858 Shares in treasury as of 31 December 2019.

Following the above purchases, the total number of Shares in issue was 218,061,888 (excluding Shares held in treasury) as of 31 December 2019. This number represents the total voting rights in the Company and may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure Guidance and Transparency Rules.

The Directors will only make such repurchases through the market at prices (after allowing for costs) below the relevant prevailing NAV per Share under the guidelines established from time to time by the Board. Purchases of Shares may be made only in accordance with Cayman law, the Disclosure Guidance and Transparency Rules and the authority granted by shareholders at the Company's AGM on 8 July 2019.

Under the FCA's Listing Rules, the maximum price that may be paid by the Company on the repurchase of any Shares pursuant to a general authority is 105% of the average of the middle market quotations for the Shares for five business days immediately preceding the

## Corporate Governance Statement (Continued)

date of purchase or, if higher, that stipulated by regulatory technical standards adopted by the European Commission pursuant to Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014.

Shares repurchased by the Company may be cancelled or held in treasury (up to a maximum of 10% of the total number of issued Shares at any time may be held in treasury). Shares may be re-issued from treasury but, unless previously approved by shareholders, will not be issued at a price which, taking account of issue expenses, would be less than the last reported NAV per Share.

A buy-back of Shares pursuant to the share buy-back programme on any trading day may represent a significant proportion of the daily trading volume in the Shares on the main market of the London Stock Exchange (and could exceed the 25% limit of the average daily trading volume of the preceding 20 business days as referred to in the Commission Delegated Regulation (EU) No. 2016/1052 on buy-back programmes).

Any purchase of Shares by the Company will be notified by an announcement through a Regulatory Information Service by no later than 7:30am on the following business day.

Shareholders should note that the purchase of Shares by the Company is at the absolute discretion of the Directors and is subject, amongst other things, to the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

### Management Shares

Dragon Capital Limited holds 1,000 management shares of the Company. Dragon Capital Limited is 100% owned by Dragon Capital Group Limited which is the ultimate parent company of the Investment Manager of the Company.

The management shares shall not be redeemed by the Company, and do not carry any right to dividends. In a winding up, management shares are entitled to a return of paid up nominal capital out of the assets of the Company, but only after the return of nominal capital paid up on ordinary shares. The management shares each carry one vote on a poll. Subject always to the requirements of the rules of any exchange on which the Company's shares may be trading from time to time, the holders of the management shares have the right to appoint two individuals to the Board.

### Substantial Shareholdings

As at 31 December 2019, the Company had been notified that the following were interested in 10% or more of the issued capital of the Company:

- Name: Computershare Investor Services PLC
- Number of shares: 220,920,746 (including 2,858,858 Shares held in treasury)
- % of shares: 100%

## Corporate Governance Statement (Continued)

**Table 1: Attendance of the Board and the Committees Meetings**

Director	Board meetings	Audit and Risk Committee meetings	Management Engagement Committee meetings	Nomination and Remuneration Committee meetings
Stanley Chou	4/4	1/1 <sup>2</sup>	2/2	
Derek Loh	4/4	2/2		2/2
Gordon Lawson	4/4	2/2	2/2	
Vi Peterson	4/4		2/2	2/2
Entela Benz-Saliasi	2/2 <sup>1</sup>	1/1 <sup>2</sup>		1/1 <sup>3</sup>
Dominic Scriven O.B.E	4/4			

<sup>1</sup> The two board meetings were held before the appointment of Entela Benz-Saliasi.

<sup>2</sup> The first Audit and Risk Committee meeting was held before the appointment of Entela Benz-Saliasi, and Stanley Chou was the Chair.

<sup>3</sup> The first Nomination and Remuneration Committee meeting was held before the appointment of Entela Benz-Saliasi, and Wolfgang Bertelsmeier was the Member.

**Table 2: Share Buy Backs for the year ended 31 December 2019**

Date of purchase	Number of Shares purchased	Highest price paid per Share	Lowest price paid per Share	Average price paid per Share
	Shares	GBX	GBX	GBX
14 May 2019	26,367	423.00	420.50	422.23
15 May 2019	51,031	431.50	426.00	428.79
16 May 2019	50,000	434.25	430.50	432.29
20 May 2019	100,000	441.00	439.00	440.27
22 May 2019	250,000	444.50	444.00	444.46
23 May 2019	70,000	445.00	441.00	444.67
28 June 2019	150,000	437.00	435.00	436.04
2 July 2019	220,309	440.00	440.00	440.00
3 July 2019	50,000	443.00	442.00	442.79
1 August 2019	100,000	472.50	469.00	471.31
2 August 2019	149,656	470.00	465.50	467.88
5 August 2019	100,000	470.00	470.00	470.00
14 August 2019	90,000	474.50	473.00	473.16
15 August 2019	110,627	476.00	475.50	475.50

## Report of the Audit and Risk Committee

### Composition

With effect from 1 July 2018, the Audit Committee was expanded to become the Audit and Risk Committee. The Audit and Risk Committee was chaired by Stanley Chou and its members included Gordon Lawson and Derek Loh who were all Independent, Non-executive Directors.

On 1 July 2019, the Board committees were reconstituted. Since Stanley Chou became the Chair of the Board, Gordon Lawson became the Chair of the Audit and Risk Committee. The members of the Audit and Risk Committee are Derek Loh and Entela Benz-Saliasi taking effect from 1 July 2019.

The Audit and Risk Committee met twice during the year under review. Table 1 on page 29 lists the number of the Audit and Risk Committee meetings attended by each Director. The Company's Auditors were invited to attend meetings as necessary.

In the opinion of the Board, the Audit and Risk Committee of the Company complies with the recommendations and requirements of the AIC Code since the listing on the main market of the London Stock Exchange on 5 July 2016.

### Role and Responsibilities

The role of the Audit and Risk Committee is to assist the Board in applying financial reporting and internal control principles and to maintain an appropriate relationship with the Auditors. The Audit and Risk Committee assesses the prospects of the Company and principal risks facing the Company. The Audit and Risk Committee, as a result, reasonably expects that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The responsibilities are set out in formal Terms of Reference which are regularly reviewed. In the year under review, the main duties undertaken were:

### Financial Reporting

The Audit and Risk Committee shall monitor the integrity of the financial statements of the Company, including its annual and semi-annual reports, interim management statements and any other formal announcement relating to its financial performance and review significant financial reporting issues and judgments which they contain.

Where the Audit and Risk Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the Board.

### Risk

The Audit and Risk Committee shall oversee the process of identifying, assessing, and controlling both the Company and portfolio risks to prevent, mitigate or transfer such risks.

In particular, the Audit and Risk Committee shall review and challenge where necessary:

- Investment risks comprising, but not limited to, market, credit, liquidity and leverage risk; and
- Business operational risks.

### Internal Controls and Risk Management Systems

The Audit and Risk Committee shall review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management.

### Internal Audit

The Audit and Risk Committee shall consider at least once a year whether there is a need for an internal audit function and provide an explanation of the reasons for an absence of such a function for inclusion in the relevant section of the annual report.

### External Audit

The Audit and Risk Committee shall monitor and review the

external auditor's independence and objectivity and make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor.

### Conflicts

The Audit and Risk Committee shall provide oversight and guidance to the Board in relation to actual and potential conflicts of interest between the Company and any related parties or providers of services to the Company. Related parties shall mean the members of the Board, the Investment Manager and/or its parent and sister companies (the "Investment Manager Group") together with the owners and directors of the Investment Manager Group.

### Internal Controls and Risk Management Systems in Relation to the Company's Financial Reporting Process

The Audit and Risk Committee is responsible for reviewing the effectiveness of the Company's system of internal control. The Board reviews the ongoing processes for identifying, evaluating and monitoring the significant risks faced by the Company.

This process, together with key procedures established with a view to providing effective financial control, has been in place throughout the year ended 31 December 2019. The Board recognises that these control systems can only be designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and provide reasonable, but not absolute, assurance against material misstatement or loss.

Risk assessment and the review of internal controls are undertaken by the Audit and Risk Committee, in the context of the Company's overall investment objective. During the reporting year, the Audit and Risk Committee defined a template of Enterprise Risk Management Framework which is being used to monitor the various risks including



## Report of the Audit and Risk Committee (Continued)

the key business, operational, compliance and financial risks facing the Company.

Given the nature of the Company's activities and the fact that most functions are sub-contracted, the Directors have obtained information from key third party service providers regarding the controls operated by them in order to enable the Board to make an appropriate risk and control assessment.

The Board has reviewed the scope of the Audit and Risk Committee and is satisfied that all risks to which the Company is subject are appropriately managed.

### External Auditor

The Audit and Risk Committee reviews and makes recommendations to the Board with regard to the reappointment of the external auditor, taking into account its qualifications, expertise and resources, independence and the effectiveness of the external audit process. The Audit and Risk Committee meets with the external auditor at least once a year to discuss any key issues arising from the audit and/or monitor the external auditor's compliance with the relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.

KPMG Limited ("KPMG") was first appointed as the Company's external auditor in 2008 and during the audit tenure from 2008 to 2019, four audit partners have been rotated to perform the service.

KPMG's rotation policies are consistent with the IESBA Code of Ethics and require the firm to comply with any stricter applicable rotation requirements. The firm's partners are subject to periodic rotation of their responsibilities for audit clients under applicable laws, regulations, independence rules and KPMG International policy. These

requirements place limits on the number of consecutive years that partners in certain roles may provide statutory audit services to a client, followed by a 'time-out' period during which time these partners may not participate in the audit, provide quality control for the audit, consult with the engagement team or the client regarding technical or industry-specific issues or in any way influence the outcome of the audit.

KPMG also has policies, which are consistent with IESBA principles and applicable laws and regulations, which address the scope of services that can be provided to audit clients. KPMG's policies require the audit engagement partner to evaluate the threats arising from the provision of non-audit services and the safeguards available to address those threats.

In order to safeguard the auditor's independence and objectivity, the Company did not engage KPMG for any non-audit services except where it was work that they were clearly best suited to perform. Fees paid to KPMG for audit and audit-related services are set out in Note 12 to the financial statements and summarised below:

- 2019: US\$82,000
- 2018: US\$112,380

The Audit and Risk Committee reviews the effectiveness of the audit provided by KPMG on an annual basis and remains satisfied with the effectiveness of the audit based on their performance. In addition, the Audit and Risk Committee engaged UK's FRC to perform a review of the Company's external auditor i.e. KPMG and reviewed the financial results of the Company.

### Audit Review

Prior to the Audit and Risk Committee meeting held on 5 April 2019, as part of good corporate governance, the Chair of the Audit and Risk Committee requested a review of the external auditor, KPMG. The Audit and Risk Committee

conducted a tender process in order to make recommendations to the Board of Directors regarding which external auditor should be appointed for the Company going forward. The Audit and Risk Committee engaged with various audit firms as a potential replacement, however, only one audit firm responded positively. The Audit and Risk Committee noted that the candidate was presently the internal auditor of the Dragon Capital Group which could pose a conflict of interest. In addition, the candidate's Vietnam office is not yet FRC approved. The Audit and Risk Committee came to the conclusion that the Company would be advised to retain KPMG as its external auditor. The Board of Directors accepted and approved this conclusion at a board meeting held shortly after the relevant Audit and Risk Committee meeting. The re-appointment of KPMG will be proposed at the next AGM.



Gordon Lawson  
Chair of the Audit and Risk  
Committee  
Vietnam Enterprise Investments  
Limited  
22 April 2020

## Board Of Directors

**Chair & Independent Non-Executive Director**  
(Appointed January 2016)

**Stanley Chou**

Stanley Chou is Managing Director of SCA International Ltd. He also co-founded the Victory Fund, a Luxembourg based equity fund. He has been investing in Vietnam since 2005.



**Senior Independent Non-Executive Director**  
(Appointed July 2014)

**Gordon Lawson**

Educated at Birmingham University, Gordon worked with Salomon Brothers/Citigroup, London before founding Pendragon in 1996. He later became Chairman of Indochina Capital Vietnam plc. He is an advisor and director of various companies.



**Independent Non-Executive Director**  
(Appointed March 2011)

**Derek Loh**

A director with TSMP Law Corporation Singapore, Derek practices construction and engineering law. He also sits on the boards of various Singapore-listed companies including Vibrant Group Ltd where he chairs the Remuneration and Nomination Committees.



**Independent Non-Executive Director**  
(Appointed April 2018)

**Vi Peterson**

Vi is an international business consultant based in Melbourne Australia, advising multinational corporations in Thailand and Vietnam. She serves on various company, not-for-profit and university boards. She is a former banking executive and Australian Senior Trade Commissioner to Vietnam.



**Independent Non-Executive Director**  
(Appointed May 2019)

**Entela Benz-Saliasi**

Entela serves as Adjunct Associate Professor at Department of Finance, HKUST Business School in Hong Kong. Alongside teaching, she has been acting as a consultant for Impact and ESG Investing since 2007. She is the founder and CEO of Intensel. She sits on various boards in Hong Kong and The Philippines.



**Non-Executive Director**  
(Appointed May 1995)

**Dominic Scriven O.B.E**

UK-born Dominic founded Dragon Capital in 1994. Fluent in Vietnamese, he promotes the capital markets of Vietnam internationally, and is a director of various Vietnamese public companies. His interests range from Vietnamese art to eliminating the illegal trade in wildlife.



## Annual General Meeting

### Annual General Meeting Summary

The Company announced that at the AGM of the Company held on 8 July 2019, the resolutions numbered 1 to 9 in the notice of meeting for the AGM were all passed by the required majority on a poll vote. The votes made in relation to the resolutions proposed at the AGM were as follows:

#### Ordinary Resolutions

- (1) To receive and adopt the audited financial statements for the year ended 31 December 2018 together with the auditor's and Directors' reports thereon.
- (2) To re-appoint KPMG Ltd of Vietnam as auditor of the Company and to authorise the Board to fix their remuneration.
- (3) To re-elect Stanley Chou as a Director of the Company.
- (4) To re-elect Gordon Lawson as a Director of the Company.
- (5) To re-elect Derek Loh as a Director of the Company.
- (6) To re-elect Vi Peterson as a Director of the Company
- (7) To elect Entela Benz-Saliasi as a Director of the Company.
- (8) To re-elect Dominic Scriven O.B.E as a Director of the Company.

#### Special Resolution

- (9) To authorise the Company generally and unconditionally to make market purchases of its ordinary shares of US\$0.01 each provided that:
  - (i) the maximum aggregate number of ordinary shares that may be purchased is 14.99% of issued share capital as at the date of the notice of AGM (33,116,020 shares);
  - (ii) the minimum price which may be paid for each ordinary share is US\$0.01;
  - (iii) the maximum price (excluding expenses) which may be paid for each ordinary share is the higher of:
    - (a) 105 per cent of the average market value of an ordinary share in the Company for five business days prior to the day the purchase is made; and
    - (b) the higher of the price of the last independent trade and the highest current independent bid as stipulated by Regulatory Technical Standards adopted by the European Commission pursuant to Article 5 (6) of the Market Abuse Regulation; and
  - (iv) the authority conferred by this resolution shall expire on 31 December 2020 or, if earlier, at the conclusion of the Company's next annual general meeting save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority.

## Report of the Board of Directors

The Directors of Vietnam Enterprise Investments Limited (the “Company”) present their report and the audited financial statements of the Company for the year ended 31 December 2019.

### 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 shares of the Company have been listed on the main market of the London Stock Exchange since 5 July 2016 (until 4 July 2016: listed on the Irish Stock Exchange). The principal activity of the Company is investing directly or indirectly in a diversified portfolio of listed and unlisted securities in Vietnam.

### Results and Dividends

The Company’s profit for the year ended 31 December 2019 and its financial position at that date are set out in the attached financial statements. The Directors have taken the decision not to pay a dividend in respect of the year ended 31 December 2019 (2018: Nil).

### Share Capital

Details of movements in the Company’s share capital during the year are presented in Note 10. As at 31 December 2019, the Company had 218,061,888 Ordinary Shares and 1,000 Management Shares outstanding (31 December 2018: 219,579,878 Ordinary Shares and 1,000 Management Shares).

### Directors

The Directors of the Company during the year were:

Non-executive Director:

- Dominic Scriven O.B.E

Independent Non-executive Directors:

- Wolfgang Bertelsmeier – Chair (until 30 June 2019)
- Stanley Chou – Chair (from 30 June 2019)
- Gordon Lawson – Senior

Independent Non-Executive Director (from 30 June 2019)

- Derek Eu-Tse Loh
- Vi Peterson
- Entela Benz-Saliasi (from 16 May 2019)

In accordance with Article 91 of the Restated and Amended Memorandum and Articles of Association (the “Articles”), the Independent and Non-independent Non-executive Directors are required to submit themselves for re-election at the next occurring Annual General Meeting (“AGM”). All the Independent Non-executive Directors were duly re-appointed at the AGM held on 8 July 2019 following the expiry of their respective terms. Dominic Scriven O.B.E also submitted himself for re-election and was duly re-appointed. Entela Benz-Saliasi was newly appointed as an Independent Non-executive Director on 16 May 2019. Wolfgang Bertelsmeier stepped down as Chair of the Company and resigned from the Board of Directors, both taking effect from 30 June 2019. Stanley Chou was elected to replace Wolfgang Bertelsmeier as Chair of the Company, taking effect from 30 June 2019. The Board Committees were reviewed and their composition was re-constituted, taking effect from 1 July 2019.

### Directors’ Rights to Acquire Shares or Debentures

At no time during the year 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 O.B.E, a Non-executive Director of the Company, is a beneficial shareholder of the Company, holding 36,423 Ordinary Shares of the Company as at 31 December 2019 (31 December 2018: 36,423 Ordinary Shares).

Dominic Scriven O.B.E also has

indirect interests in shares of the Company as he is a key shareholder of Dragon Capital Group Limited, 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 Enterprise Investment Management Limited, the Investment Manager of the Company and Dragon Capital Markets Limited. As at 31 December 2019, Dragon Capital Markets Limited beneficially held 2,295,359 Ordinary Shares of the Company for investment and proprietary trading purposes (31 December 2018: 2,700,359 Ordinary Shares).

Gordon Lawson, an Independent Non-executive Director of the Company, is a beneficial shareholder of the Company, holding 25,000 Ordinary Shares of the Company as at 31 December 2019 (31 December 2018: 25,000 Ordinary Shares).

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

### Directors’ Interests in Contracts

Dominic Scriven O.B.E has indirect interests in the Investment Management agreement between the Company and Enterprise Investment Management Limited where he is a Director. 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 year or at any time during the year.

### Substantial Shareholders

As at 31 December 2019, the Company’s register of shareholders showed that the following shareholder held more than 10% interest in the issued Ordinary Share capital of the Company:

Registered shareholder:

- Computershare Investor Services PLC(\*)

## Report of the Board of Directors (Continued)

Number of Ordinary Shares:

- 220,920,746

% of total Ordinary Shares in issue:

- 100%

(\*) Computershare Investor Services PLC was appointed to act as depositary in respect of a facility for the issue of depositary interest representing the Company's Ordinary Shares.

### Subsequent events

Details of the significant subsequent events of the Company are set out in Note 16 to the financial statements.

### Auditors

KPMG Limited, Vietnam

### Directors' Responsibility in Respect of the Financial Statements

The Board of Directors is responsible for ensuring that the financial statements of the Company are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and its cash flows for the year then ended. When preparing these 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 financial statements;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in

the foreseeable future; and

- control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the 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 financial position of the Company. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The important events that have occurred during the year ended 31 December 2019 are described in the Chair's Statement and the Portfolio Manager's Report. A detailed description of the principal risks and uncertainties faced by the Company are set out in Note 15 to the financial statements.

The Directors confirm to the best of their knowledge that:

- the financial statements have been prepared in conformity with IFRS and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the undertakings included in the financial statements taken as a whole as required by the United Kingdom Financial Conduct Authority Disclosure Guidance and Transparency Rules ("DTR") 4.1.12R and are in compliance with the requirements set out in the Companies Law;
- the financial statements include a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R, which provide an indication of important events and a description of principal risks and uncertainties during the year; and

- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

### Approval of the Financial Statements

The Board of Directors hereby approves the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with IFRS.

Signed on behalf of the Board by:



Stanley Chou  
Chair  
Vietnam Enterprise Investments  
Limited  
22 April 2020

Signed on behalf of the Audit and Risk Committee by:



Gordon Lawson  
Chair of the Audit and Risk  
Committee  
Vietnam Enterprise Investments  
Limited  
22 April 2020

# Independent Auditors' Report



KPMG Limited Branch  
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## INDEPENDENT AUDITORS' REPORT

**To the Shareholders  
Vietnam Enterprise Investments Limited**

### Opinion

We have audited the accompanying financial statements of Vietnam Enterprise Investments Limited ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statements of comprehensive income, changes in net assets attributable to Ordinary Shareholders and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information, as set out on pages 40 to 69.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements issued by International Federation of Accountants (IFAC) and other local ethical requirements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We do not identify any key audit matter in our audit of the financial statements for the year ended 31 December 2019.

## Independent Auditors' Report (Continued)



### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Company's Annual Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal controls as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent Auditors' Report (Continued)



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.



## Independent Auditors' Report (Continued)



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure or when, in extremely rare circumstances, we determine that a matter should not be communicated to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Nguyen Thanh Nghi.

**On behalf of KPMG Limited's Branch in Ho Chi Minh City**

Vietnam

Audit Report No.: 19-01-00407-20-1

A handwritten signature in blue ink, appearing to read 'Nguyen Thanh Nghi', written over a horizontal line.

Nguyen Thanh Nghi  
*Audit Partner*

22 April 2020

## Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 US\$	31 December 2018 US\$	Change in %
<b>CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss	5	1,467,469,779	1,472,751,786	
Other receivables		1,140,194	568,429	
Balances due from brokers	6	77,290	516,059	
Cash and cash equivalents	7	9,473,320	32,791,633	
<b>TOTAL ASSETS</b>		<b>1,478,160,583</b>	<b>1,506,627,907</b>	<b>(1.89)</b>
<b>CURRENT LIABILITIES</b>				
Balances due to brokers	6	864,287	3,788,426	
Borrowings	8	-	60,000,000	
Accounts payable and accruals	9	2,677,519	2,817,513	
<b>TOTAL LIABILITIES</b>		<b>3,541,806</b>	<b>66,605,939</b>	<b>(94.68)</b>
<b>EQUITY</b>				
Issued share capital	10	2,180,628	2,195,808	
Share premium	10	548,355,321	556,891,643	
Retained earnings		924,082,828	880,934,517	
<b>TOTAL EQUITY</b>		<b>1,474,618,777</b>	<b>1,440,021,968</b>	<b>2.40</b>
<b>NET ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		<b>1,474,618,777</b>	<b>1,440,021,968</b>	<b>2.40</b>
<b>NUMBER OF ORDINARY SHARES IN ISSUE</b>	<b>10</b>	<b>218,061,888</b>	<b>219,579,878</b>	
<b>NET ASSET VALUE PER ORDINARY SHARE</b>	<b>11</b>	<b>6.76</b>	<b>6.56</b>	<b>3.05</b>

Approved by the Board of Directors on 22 April 2020.



Dominic Scriven O.B.E  
Director  
Vietnam Enterprise Investments Limited

*The accompanying notes are an integral part of these financial statements*

## Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
<b>INCOME</b>			
Bank interest income		20,283	39,832
Bond interest income		-	13,805
Dividend income		9,178,449	9,497,102
Net changes in fair value of financial assets at fair value through profit or loss	5	55,262,042	(160,010,507)
Gains on disposals of investments		13,543,010	79,887,179
<b>TOTAL INCOME</b>		<b>78,003,784</b>	<b>(70,572,589)</b>
<b>EXPENSES</b>			
Administration fees	12	(974,416)	(1,263,588)
Custodian fees	12	(779,036)	(958,560)
Directors' fees	12	(168,159)	(152,354)
Management fees	12	(28,878,855)	(30,417,508)
Legal and professional fees		(652,853)	(572,607)
Brokerage fee and structuring fee		(242,470)	(1,597,570)
Restructuring fee of short-term borrowings		(1,500,000)	(900,000)
Interest expense		(1,476,950)	(2,713,397)
Withholding taxes		(2,468)	(14,621)
Other operating expenses		(224,748)	(419,267)
<b>TOTAL EXPENSES</b>		<b>(34,899,955)</b>	<b>(39,009,472)</b>
<b>NET GAIN/(LOSS) BEFORE EXCHANGE GAINS/(LOSSES)</b>		<b>43,103,829</b>	<b>(109,582,061)</b>
<b>EXCHANGE GAINS/(LOSSES)</b>			
Net foreign exchange gains/(losses)		44,482	(462,903)
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>43,148,311</b>	<b>(110,044,964)</b>
Income tax	13	-	-
<b>NET PROFIT/(LOSS) AFTER TAX FOR THE YEAR</b>		<b>43,148,311</b>	<b>(110,044,964)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>43,148,311</b>	<b>(110,044,964)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		<b>43,148,311</b>	<b>(110,044,964)</b>
<b>BASIC EARNINGS/(LOSSES) PER ORDINARY SHARE</b>	14	<b>0.20</b>	<b>(0.50)</b>

The accompanying notes are an integral part of these financial statements

## Statement of Changes in Net Assets Attributable to Ordinary Shareholders

For the year ended 31 December 2019

	Issued share capital	Share premium	Retained earnings	Total
	US\$	US\$	US\$	US\$
Balance at 1 January 2018	2,201,266	560,096,358	990,979,481	1,553,277,105
<b>Total comprehensive loss for the year:</b>				
Net loss for the year	-	-	(110,044,964)	(110,044,964)
<b>Transactions with shareholders, recognised directly in equity:</b>				
Repurchase of Ordinary Shares	(5,458)	(3,204,715)	-	(3,210,173)
Balance at 1 January 2019	2,195,808	556,891,643	880,934,517	1,440,021,968
<b>Total comprehensive income for the year:</b>				
Net profit for the year	-	-	43,148,311	43,148,311
<b>Transactions with shareholders, recognised directly in equity:</b>				
Repurchase of Ordinary Shares	(15,180)	(8,536,322)	-	(8,551,502)
Balance at 31 December 2019	2,180,628	548,355,321	924,082,828	1,474,618,777

*The accompanying notes are an integral part of these financial statements*

## Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 US\$	2018 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) for the year		43,148,311	(110,044,964)
Adjustments for:			
Bank interest income		(20,283)	(39,832)
Bond interest income		-	(13,805)
Dividend income		(9,178,449)	(9,497,102)
Net changes in fair value of financial assets at fair value through profit or loss		(55,262,042)	160,010,507
Gains on disposals of investments		(13,543,010)	(79,887,179)
		<b>(34,855,473)</b>	<b>(39,472,375)</b>
Net cash flows from subsidiaries carried at fair value		69,908,995	177,572,707
Changes in other receivables and balances due from brokers		438,779	47,299
Changes in balances due to brokers and accounts payable and accruals		(3,064,133)	3,644,270
		<b>32,428,168</b>	<b>141,791,901</b>
Proceeds from disposals of investments		141,409,959	240,140,412
Purchases of investments		(137,231,895)	(367,927,014)
Bank interest income received		20,283	39,832
Bond interest income received		-	13,805
Dividends received		8,606,674	9,499,319
<b>Net cash generated from in operating activities</b>		<b>45,233,189</b>	<b>23,558,255</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short-term borrowings		100,000,000	60,000,000
Repayments of borrowings		(160,000,000)	(80,000,000)
Repurchase of Ordinary Shares		(8,551,502)	(3,210,173)
<b>Net cash used in financing activities</b>		<b>(68,551,502)</b>	<b>(23,210,173)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(23,318,313)</b>	<b>348,082</b>
Cash and cash equivalents at the beginning of the year		32,791,633	32,443,551
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>7</b>	<b>9,473,320</b>	<b>32,791,633</b>

The accompanying notes are an integral part of these financial statements

# Notes to the Financial Statements

For the year ended 31 December 2019

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

## 1. THE COMPANY

Vietnam Enterprise Investments Limited (the “Company”) is a closed-end investment fund 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 Ordinary Shares have been listed on the main market of the London Stock Exchange since 5 July 2016 (until 4 Jul 2016: listed on the Irish Stock Exchange). The Company is established for an unlimited duration.

The Company had the following investments in subsidiaries and joint operation as at 31 December 2019, for the purpose of investment holding:

Subsidiaries	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%
Rickmansworth Limited	British Virgin Islands	Investment holding	100%
VEIL Infrastructure Limited	British Virgin Islands	Investment holding	100%
Amersham Industries Limited	British Virgin Islands	Investment holding	100%
Balestrand Limited	British Virgin Islands	Investment holding	100%
Asia Reach Investment Limited	British Virgin Islands	Investment holding	100%

Joint operation	Country of incorporation	Principal activities	% ownership
Dragon Financial Holdings Limited	British Virgin Islands	Investment holding	90%

As at 31 December 2019 and 31 December 2018, the Company had no employees.

## 2. BASIS OF PREPARATION

### (a) Basis of accounting

The Company’s financial statements as at and for the year ended 31 December 2019 have been prepared in accordance with IFRS. They were authorised for issue by Company’s Board of Directors on 22 April 2020.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial assets at fair value through profit or loss which are measured at fair value. The methods used to measure fair values are described in Note 3(c)(iii).

### (c) Functional and presentation currency

These financial statements are presented in United States Dollar (“US\$”), which is the Company’s functional currency.

Functional currency is the currency of the primary economic environment in which the Company operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Company’s investments and transactions are denominated in US\$ and VND. Share subscriptions and dividends are made and paid in US\$. Borrowings are made in US\$. The expenses (including management fees, custodian fees and administration fees) are denominated and paid in US\$. Accordingly, management has determined that the functional currency of the Company is US\$.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 2. BASIS OF PREPARATION (Continued)

#### (d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have significant effect on the amounts recognised in the financial statements are discussed as follows:

#### Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 *Consolidated Financial Statements* are required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit and loss. Subsidiaries that provide investment related services or engage in permitted investment related activities with investees continue to be consolidated unless they are also investment entities.

The criteria which define an investment entity are currently as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Board of Directors has made an assessment and concluded that the Company meets the above listed criteria of an investment entity. The investment objective of the Company is to provide shareholders with attractive capital returns by investing directly or indirectly through its subsidiaries in a diversified portfolio of listed and unlisted securities in Vietnam. The Company has always measured its investment portfolio at fair value. The exit strategy for all investments held by the Company and its subsidiaries is assessed regularly, documented and submitted to the Investment Committee for approval.

The Company also meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities; it has more than one investor and its investors are not related parties. The Board has concluded that the Company therefore meets the definition of an investment entity. These conclusions will be reassessed on an annual basis for changes in any of these criteria or characteristics.

#### Fair value of financial instruments

The most significant estimates relate to the fair valuation of subsidiaries and the fair valuation of financial instruments with significant unobservable inputs in their underlying investment portfolio.

The Board has assessed the fair valuation of each subsidiary to be equal to its net asset value at the reporting date, and the primary constituent of net asset value across subsidiaries is their underlying investment portfolio.

Within the underlying investment portfolio, the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Board uses its judgments to select a variety of valuation methods and make assumptions that are mainly based on market conditions existing at each reporting date.

#### Impairment of receivables

The Directors determine the allowance for impairment of receivables on a regular basis. This estimate is based on the Directors' review of each individual account balance taking into account the credit history of the debtors and prevailing market conditions.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 2. BASIS OF PREPARATION (Continued)

#### (e) Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments. Therefore, the financial statements have been prepared on the going concern basis.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently to all periods presented in these financial statements.

#### (a) Subsidiaries and joint operation

Subsidiaries are investees controlled by the Company. The Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Joint operation is a joint arrangement whereby the Company has joint control and rights to the assets and obligations for the liabilities relating to the arrangement.

The Company is an investment entity and measures investments in its subsidiaries at fair value through profit or loss (see Note 2(d)). In determining whether the Company meets the definition of an investment entity, the Board considered the Company and its subsidiaries as a whole. In particular, when assessing the existence of investment exit strategies and whether the Company has more than one investment, the Board took into consideration the fact that all subsidiaries were formed in connection with the Company in order to hold investments on behalf of the Company.

#### (b) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company and its subsidiaries at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss as net foreign exchange gain or loss, except for those arising on financial instruments at fair value through profit or loss ("FVTPL"), which are recognised as a component of net changes in fair value of financial instruments at FVTPL.

#### (c) Financial assets and financial liabilities

##### (i) Recognition and initial measurement

The Company initially recognises financial assets and financial liabilities at fair value on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that they are directly attributable to its acquisition or issue.

##### (ii) Classification and subsequent measurement

###### *Classification of financial assets*

On initial recognition, the Company classifies financial assets as measured at amortised cost or FVTPL.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

All other financial assets of the Company are measured at FVTPL.

#### *Business model assessment*

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

The Company has determined that it has two business models:

- *Held-to-collect business model*: this includes cash and cash equivalents, balances due from brokers and other receivables. These financial assets are held to collect contractual cash flows.
- *Other business model*: this includes debt securities, equity investments and unlisted private equities. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

#### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition unless the Company is to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

#### *Subsequent measurement of financial assets*

- *Financial assets at fair value through profit or loss*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income and expense and foreign exchange gains and losses, are recognised in profit or loss in “net income from instruments at FVTPL” in statement of comprehensive income.

- *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in “interest income calculated by using the effective interest method”, foreign exchange gains and losses are recognised in “net foreign exchange gain/loss” and impairment is recognised in “impairment losses on financial instruments” in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents, balances due from brokers and other receivables are included in this category.

#### *Financial liabilities - Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*Financial liabilities at amortised cost:* This includes balances due to brokers, borrowings and accounts payable and accruals.

#### **(iii) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognises transfer between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

#### **(iv) Amortised cost measurement**

The ‘amortised cost’ of a financial asset or liability is the amount at which the financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (v) Impairment

The Company recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for following, which are measured at 12-month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of a debtor;
- a breach of contract such as a default or being more than 90 days past due; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

#### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (vi) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all of the risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include sale and purchase transactions.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (vii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

#### (d) Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

#### (e) Share capital

##### Issuance of share capital

Management Shares and Ordinary Shares are classified as equity. The difference between the issued price and the par value of the shares less any incremental costs directly attributable to the issuance of shares is credited to share premium.

##### Repurchase of Ordinary Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Par value of repurchased shares is presented as deductions from share capital and the excess over par value of repurchased shares is presented as deductions from share premium. When repurchased shares are sold or reissued subsequently, the amount received is recognised as an increase in share capital and share premium which is similar to the issuance of share capital.

#### (f) Segment reporting

The Company is organised and operates as one operating segment – investment in equity securities in Vietnam. Consequently, no segment reporting is provided in the Company's financial statements.

#### (g) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Interest income

Interest income, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based repricing date to the net carrying amount of the financial instrument on initial recognition.

Interest received or receivable are recognised in profit or loss as interest income.

#### (i) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive payment is established. For listed equity securities, this is usually the ex-dividend date. For unlisted equity securities, this is usually the date on which the shareholders approve the payment of a dividend.

Dividend income from equity securities designated as at fair value through profit or loss is recognised in profit or loss in a separate line item.

#### (j) Net income from financial instruments at fair value through profit or loss

Net income from financial instruments at fair value through profit or loss include all realised and unrealised fair value changes and foreign exchange differences, but excludes interest and dividend income, and dividend expense on securities sold short.

Net realised gain/loss from financial instruments at fair value through profit or loss is calculated using the weighted average cost method.

#### (k) Expenses

All expenses, including management fees and incentive fees, are recognised in profit or loss on an accrual basis.

#### (l) Basic earnings per share and Net Asset Value per share

The Company presents basic earnings per share ("EPS") for its Ordinary Shares. Basic EPS is calculated by dividing net profit or loss attributable to the Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year. The Company did not have potentially dilutive shares as of 31 December 2019 and 2018.

Net asset value ("NAV") per share is calculated by dividing the NAV attributable to the Ordinary Shareholders by the number of outstanding Ordinary Shares as at the reporting date. NAV is determined as total assets less total liabilities. Where Ordinary Shares have been repurchased, NAV per share is calculated based on the assumption that those repurchased Ordinary Shares have been cancelled.

#### (m) Related parties

A party is considered to be related to the Company if:

- a) The party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company, or (iii) has joint control over the Company;
- b) The party is an associate;
- c) The party is a jointly controlled entity;
- d) The party is a member of the key management personnel of the Company;
- e) The party is a close member of the family of any individual referred to in (a) or (d);
- f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- g) The party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is related party of the Company.

Other investment companies/funds under the management of Dragon Capital Investment Management Limited, the parent company of the Investment Manager, or entities of Dragon Capital Group Limited (including Ho Chi Minh City Securities Corporation ("HSC") and Vietnam Investment Fund Management Joint Stock Company ("VFM") and its funds under management) are also considered related parties to the Company.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (n) Standards issued but not yet effective

Following new standards and interpretations are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted new or amended standards in preparing these financial statements:

- Amendments to the References to Conceptual Framework in IFRS Standards;
- Definition of Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- IFRS 17 Insurance Contracts; and
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

These standards and interpretations are not expected to have a significant impact on the Company's financial statements.

### 4. TRANSACTIONS WITH RELATED PARTIES

Dominic Scriven O.B.E, a Non-executive Director of the Company, is a beneficial shareholder of the Company, holding 36,423 Ordinary Shares of the Company as at 31 December 2019 (31 December 2018: 36,423 ). Dominic Scriven O.B.E also has indirect interests in the share capital of the Company as he is a shareholder of Dragon Capital Group Limited, 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 Enterprise Investment Management Limited, the Investment Manager of the Company and Dragon Capital Markets Limited. As at 31 December 2019, Dragon Capital Markets Limited beneficially held 2,295,359 Ordinary Shares of the Company for investment and proprietary trading purposes (31 December 2018: 2,700,359 Ordinary Shares).

Gordon Lawson, a Director of the Company, is a beneficial shareholder of the Company, holding 25,000 Ordinary Shares of the Company as at 31 December 2019 (31 December 2018: 25,000 Ordinary Shares).

During the year, the Directors, with exception of Dominic Scriven O.B.E, earned US\$168,159 (31 December 2018: US\$152,354) for their participation on the Board of Directors of the Company.

During the year, total broker fees paid to HSC - an associate of Dragon Capital Group Limited and one of the securities brokers of the Company and its subsidiaries - amounted to US\$185,724 (2018: US\$272,799). As at 31 December 2019, the broker fee payable to this broker was US\$1,262 (31 December 2018: Nil).

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2019	31 December 2018
	US\$	US\$
Directly held investments (a)	638,021,791	613,929,733
Investments in subsidiaries (b)	829,447,988	858,822,053
	<b>1,467,469,779</b>	<b>1,472,751,786</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

(a) The cost and carrying value of directly held listed and unlisted investments of the Company were as follows:

	31 December 2019	31 December 2018
	US\$	US\$
<b>Listed investments:</b>		
Investments, at cost	490,218,772	474,416,747
Unrealised gains	145,235,320	128,968,867
At carrying value	635,454,092	603,385,614
<b>Unlisted investments:</b>		
Investments, at cost	8,474,046	14,911,125
Unrealised losses	(5,906,347)	(4,367,006)
At carrying value	2,567,699	10,544,119
	<b>638,021,791</b>	<b>613,929,733</b>

Movements of investments directly held by the Company during the year were as follows:

	31 December 2019	31 December 2018
	US\$	US\$
Opening balance	613,929,733	547,011,237
Purchases	137,231,895	367,927,014
Sales	(127,866,949)	(160,253,233)
Unrealised gains/(losses)	14,727,112	(140,755,285)
<b>Closing balance</b>	<b>638,021,791</b>	<b>613,929,733</b>

(b) Investments in subsidiaries are fair valued at the subsidiary's net asset value with the significant part being attributable to the underlying investment portfolio. The underlying investment portfolio is valued under the same methodology as directly held investments of the Company, with any other assets or liabilities within subsidiaries fair valued in accordance with the Company's accounting policies. All cash flows to/from subsidiaries are treated as an increase/decrease in the fair value of the subsidiary.

The net assets of the Company's subsidiaries comprised:

	31 December 2019	31 December 2018
	US\$	US\$
Cash and cash equivalents	14,151,289	19,208,229
Financial assets at fair value through profit or loss (c)	808,293,291	848,094,361
Other receivables	1,776,595	621,972
Balances due from brokers	5,991,507	683,779
<b>Total assets</b>	<b>830,212,682</b>	<b>868,608,341</b>
Balances due to brokers	764,694	9,786,288
<b>Total liabilities</b>	<b>764,694</b>	<b>9,786,288</b>
<b>Net assets</b>	<b>829,447,988</b>	<b>858,822,053</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

Movements in the carrying value of investments in subsidiaries during the year were as follows:

	31 December 2019	31 December 2018
	US\$	US\$
Opening balance	858,822,053	1,055,649,982
Net cash flows from subsidiaries	(69,908,995)	(177,572,707)
Fair value movements in investments in subsidiaries	40,534,930	(19,255,222)
<b>Closing balance</b>	<b>829,447,988</b>	<b>858,822,053</b>

(c) The cost and carrying value of underlying financial assets at FVTPL held by the Company's subsidiaries were as follows:

	31 December 2019	31 December 2018
	US\$	US\$
<b>Listed investments:</b>		
Investments, at cost	579,652,391	600,418,009
Unrealised gains	226,960,342	245,016,873
At carrying value	806,612,7343	845,434,882
<b>Unlisted investments:</b>		
Investments, at cost	3,083,797	3,083,797
Unrealised losses	(1,403,239)	(424,318)
At carrying value	1,680,558	2,659,479
	<b>808,293,291</b>	<b>848,094,361</b>

Movements of investments held by the Company's subsidiaries during the year were as follows:

	31 December 2019	31 December 2018
	US\$	US\$
Opening balance	848,094,361	1,018,259,850
Purchases	102,170,069	238,983,482
Sales	(122,935,687)	(221,066,386)
Unrealised losses	(19,035,452)	(188,082,585)
<b>Closing balance</b>	<b>808,293,291</b>	<b>848,094,361</b>



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

Investment portfolio by sector was as follows:

	31 December 2019		31 December 2018	
	US\$	%	US\$	%
Real Estate & Construction	528,930,805	36	449,711,494	31
Banking	312,652,181	21	292,333,761	20
Retail	165,216,625	11	138,642,996	9
Material & Resources	83,867,483	6	93,600,200	6
Food & Beverages	77,676,185	5	124,835,989	8
Software & Services	58,801,389	4	40,790,946	3
Consumer Durables	56,287,529	4	42,547,975	3
Energy	44,045,307	3	68,688,843	5
Transportation	35,825,994	2	63,278,411	4
Diversified Financials	23,789,427	2	56,977,318	4
Pharmaceuticals	22,747,559	2	27,138,166	2
Net monetary assets kept by subsidiaries	21,154,697	2	10,727,692	1
Capital Goods	11,592,901	1	42,937,831	3
Other sectors	24,881,697	1	20,540,164	1
	<b>1,467,469,779</b>	<b>100</b>	<b>1,472,751,786</b>	<b>100</b>

#### (d) Restrictions

The Company receives income in the form of dividends from its investments in unconsolidated subsidiaries and there are no significant restrictions on the transfer of funds from these entities to the Company.

#### (e) Support

The Company provides or receives ongoing support to/from its subsidiaries for the purchase/sale of portfolio investments. During the year, the Company received support from its unconsolidated subsidiaries as noted in Note 5(b). The Company has no contractual commitments or current intentions to provide any other financial or other support to its unconsolidated subsidiaries.

### 6. BALANCES DUE FROM/DUE TO BROKERS

	31 December 2019	31 December 2018
	US\$	US\$
Sale transactions awaiting settlement	77,290	516,059
Purchase transactions awaiting settlement	864,287	3,788,426

In accordance with the Company's policy of trade date accounting for regular sale and purchase transactions, sale transactions awaiting settlement represent amounts receivable for securities sold and purchase transactions awaiting settlement represent amounts payable for securities purchased, but not yet settled as at the reporting date.

### 7. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
	US\$	US\$
Cash in banks	9,473,320	32,791,633

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 8. BORROWINGS

	31 December 2019	31 December 2018
	US\$	US\$
<b>Standard Chartered Bank – Singapore Branch</b>		
Secured Bank Loan	-	60,000,000

Movements of short-term borrowings during the year were as follows:

	31 December 2019	31 December 2018
	US\$	US\$
Opening balance	60,000,000	80,000,000
Additions during the year	100,000,000	60,000,000
Repayments during the year	(160,000,000)	(80,000,000)
<b>Closing balance</b>	<b>-</b>	<b>60,000,000</b>

### 9. ACCOUNTS PAYABLE AND ACCRUALS

	31 December 2019	31 December 2018
	US\$	US\$
Management fees	2,530,565	2,405,644
Administration fees	84,954	159,239
Other payables	62,000	252,630
	<b>2,677,519</b>	<b>2,817,513</b>

### 10. ISSUED SHARE CAPITAL AND SHARE PREMIUM

	31 December 2019	31 December 2018
	US\$	US\$
<b>Authorised:</b>		
500,000,000 Ordinary Shares at par value of US\$0.01 each	5,000,000	5,000,000
300,000,000 Conversion Shares at par value of US\$0.01 each	3,000,000	3,000,000
1,000 Management Shares at par value of US\$0.01 each	10	10
	<b>8,000,010</b>	<b>8,000,010</b>
<b>Issued and fully paid:</b>		
220,920,746 Ordinary Shares at par value of US\$0.01 each (31 December 2018: 220,920,746 Ordinary Shares at par value of US\$0.01 each)	2,209,207	2,209,207
1,000 Management Shares at par value of US\$0.01 each	10	10
	<b>2,209,217</b>	<b>2,209,217</b>
<b>Treasury Shares:</b>		
Ordinary Shares	(28,589)	(13,409)
<b>Shares in circulation:</b>		
Ordinary Shares	2,180,618	2,195,798
Management Shares	10	10
<b>Outstanding issued share capital in circulation</b>	<b>2,180,628</b>	<b>2,195,808</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 10. ISSUED SHARE CAPITAL AND SHARE PREMIUM (Continued)

Holders of Ordinary Shares present in person or by proxy or by authorised representative shall have one vote and, on a poll, every holder of Ordinary Shares present in person or by proxy or by authorised representative shall have one vote for every Ordinary Share of which he is the registered holder. The Ordinary Shares carry rights to dividends as set out in Articles 106 to 114 of the Articles. In a winding up, the Ordinary Shares carry a right to a return of the nominal capital paid up in respect of such Ordinary Shares, and the right to share in the manner set out in the Articles in surplus assets remaining after the return of the nominal capital paid up on the Ordinary Shares and Management Shares, provided that in a winding up the assets available for distribution among the members are more than sufficient to repay the whole of the nominal capital paid up at the commencement of the winding up. No holder of Ordinary Shares has the right to request the redemption of any of his Ordinary Shares at his option.

The Conversion Shares carry the exclusive right to dividends in respect of assets attributable to the Conversion Shares, in accordance with the provisions of Articles 106 to 114. No dividend or other distribution shall be declared, made or paid by the Company on any of its shares by reference to a record date falling between the Calculation Date and the Conversion Date as set out in the Articles. The new Ordinary Shares to be issued on conversion shall rank in full pari passu with the existing Ordinary Shares for all dividends and other distributions with a record date falling after the conversion date. In order for the holder of the Conversion Shares to participate in the winding up of the Company, the Conversion Shares, if any, which are in existence at the date of the winding up of the Company will for all purposes be deemed to have been automatically converted into Ordinary Shares and Deferred Shares immediately prior to the winding up, on the same basis as if conversion occurred 28 business days after the calculation date arising as a result of the resolution or the court to wind up the Company.

Until conversion, the consent of the holders of the Conversion Shares voting as a separate class and the holders of the Ordinary Shares voting as a separate class shall be required in accordance with the provisions of Article 14 to effect any variation or abrogation in their respective class rights.

During the year, no Conversion Shares were in issue, and no Conversion Shares were in issue as at 31 December 2019 and 2018.

The Management Shares shall not be redeemed by the Company, and do not carry any right to dividends. In a winding up, Management Shares are entitled to a return of paid up nominal capital out of the assets of the Company, but only after the return of nominal capital paid up on Ordinary Shares. The Management Shares each carry one vote on a poll. The holders of the Management Shares have the exclusive right to appoint two individuals to the Board.

As at 31 December 2019 and 2018, the following shareholder owned more than 10 percent of the Company's issued Ordinary Share capital:

	Number of Ordinary Shares held	% of total Ordinary Shares in issue
<b>Registered shareholders</b>		
Computershare Investor Services PLC (*)	220,920,746	100%
<i>In which:</i>		
<i>Bill &amp; Melinda Gates Foundation Trust</i>	<i>25,049,173</i>	<i>11.48%</i>

(\*) Computershare Investor Services PLC acted as depositary in respect of a facility for the issue of depositary interest representing the Company's Ordinary Shares.

Movements in Ordinary Share capital during the year were as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Shares	US\$	Shares	US\$
Balance at the beginning of the year	219,579,878	2,195,798	220,125,680	2,201,256
Repurchase of Ordinary Shares during the year	(1,517,990)	(15,180)	(545,802)	(5,458)
<b>Balance at the end of the year</b>	<b>218,061,888</b>	<b>2,180,618</b>	<b>219,579,878</b>	<b>2,195,798</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 10. ISSUED SHARE CAPITAL AND SHARE PREMIUM (Continued)

Movements in share premium during the year were as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
	US\$	US\$
Balance at the beginning of the year	556,891,643	560,096,358
Repurchase of Ordinary Shares during the year	(8,536,322)	(3,204,715)
<b>Balance at the end of the year</b>	<b>548,355,321</b>	<b>556,891,643</b>

### 11. NET ASSET VALUE PER ORDINARY SHARE

The calculation of the NAV per Ordinary Share was based on the net assets attributable to the Ordinary Shareholders of the Company as at 31 December 2019 of US\$1,474,618,777 (31 December 2018: US\$1,440,021,968) and the number of outstanding Ordinary Shares in issue as at that date of 218,061,888 shares (31 December 2018: 219,579,878 Ordinary Shares).

### 12. FEES

The management, administration and custodian fees are calculated based on the NAV of the Company.

#### Administration fees

Standard Chartered Bank (the "Administrator") is entitled to receive a fee of 0.048% (2018: 0.048%) of the gross assets per annum, payable monthly in arrears and subject to a minimum monthly fee of US\$4,000 per fund. During the year, total administration fees amounted to US\$974,416 (2018: US\$1,263,588). As at 31 December 2019, an administration fee of US\$84,954 (31 December 2018: US\$159,239) was payable to the Administrator.

#### Custodian fees

Standard Chartered Bank (the "Custodian") is entitled to receive a fee of 0.04% (2018: 0.05%) of the assets under custody per annum, payable monthly in arrears and subject to a minimum monthly fee of US\$500 per custody account. In addition, the Custodian is entitled to US\$20 per listed transaction and US\$10 per scripless securities. During the year, total custodian fees amounted to US\$779,036 (2018: US\$958,560). There were no custodian fees payable as at 31 December 2019 and 2018.

#### Directors' fees

During the year, total directors' fees amounted to US\$168,159 (2018: US\$152,354). There were no directors' fees payable as at 31 December 2019 and 2018. Dominic Scriven O.B.E has permanently waived his rights to receive directors' fees for his services as Director of the Company.

#### Management fees

Prior to 1 August 2017, the Investment Manager was entitled to receive a management fee equal to 2% per annum of the NAV, accrued daily and payable monthly in arrears. With effect from 1 August 2017, the management fee is calculated and accrued daily on the following basis:

- 2% per annum on the first US\$1.25 billion of the NAV;
- 1.75% per annum on the portion of the NAV in excess of US\$1.25 billion and less than or equal to US\$1.5 billion; and
- 1.5% per annum on the portion of the NAV above US\$1.5 billion.

During the year, total management fees amounted to US\$28,878,855 (2018: US\$30,417,508). As at 31 December 2019, a management fee of US\$2,530,565 (31 December 2018: US\$2,405,644) remained payable to the Investment Manager.

#### Audit and related fees

During the year, included in the legal and professional fees of the Company were audit and related fees amounting to US\$82,000 (2018: US\$112,380) paid to the auditor, KPMG Limited. There were no advisory fees paid to the auditor in 2019 (2018: Nil).

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 13. INCOME TAX

Under the current law of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not required to pay any taxes in the Cayman Islands or the British Virgin Islands on either income or capital gains and no withholding taxes will be imposed on distributions by the Company to its shareholders or on the winding-up of the Company.

In accordance with Circular No. 103/2014/TT-BTC issued by the Ministry of Finance of Vietnam taking effective from 1 October 2014 providing guidelines on the fulfilment of tax obligations of foreign entities, foreign individuals doing business in Vietnam or earning income in Vietnam, the Company is subject to 0.1% withholding tax on proceeds from transferring certificates of deposits, shares of public companies in accordance with the Law on Securities and 5% withholding tax on the interest received from any Vietnamese companies. Dividends remitted by Vietnamese investee companies to foreign corporate investors are not subject to withholding taxes.

See Note 15(B) for further details.

### 14. BASIC EARNINGS/(LOSSES) PER ORDINARY SHARE

The calculation of basic earnings/(losses) per Ordinary Share for the year was based on the net profit for the year attributable to the Ordinary Shareholders of US\$43,148,311 (2018: net loss of US\$110,044,964) and the weighted average number of Ordinary Shares outstanding of 218,807,255 shares (2018: 219,831,535 shares) in issue during the year.

#### (a) Net profit/(losse) attributable to the Ordinary Shareholders

	Year ended 31 December 2019	Year ended 31 December 2018
	US\$	US\$
Net profit/(losse) attributable to the Ordinary Shareholders	43,148,311	(110,044,964)

#### (b) Weighted average number of Ordinary Shares

	Year ended 31 December 2019	Year ended 31 December 2018
Issued Ordinary Shares at the beginning of the year	219,579,878	220,125,680
Effect of Ordinary Shares repurchased during the year	(772,623)	(294,145)
Weighted average number of Ordinary Shares	218,807,255	219,831,535

#### (c) Basic earnings/(losses) per Ordinary Share

	Year ended 31 December 2019	Year ended 31 December 2018
	US\$	US\$
Basic earnings/(losses) per Ordinary Share	0.20	(0.50)

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY

#### A. Financial risk management

The Company and its subsidiaries mainly invested in listed and unlisted investments in Vietnam, and are exposed to credit risk, liquidity risk and market risks arising from the financial instruments they hold. The Company has formulated risk management policies and guidelines which govern its overall business strategies, its balance for risk and its general risk management philosophy, and has established processes to monitor and control transactions in a timely and accurate manner. In essence, the Company and its Investment Manager practise portfolio diversification and have adopted a range of appropriate restrictions and policies, including limiting the Company's cash investment in each investment to not more than 20% of the Company's capital at the time of investment. Nevertheless, the markets in which the Company operates and the investments that the Company makes can provide no assurance that the Company will not suffer a loss as a result of one or more of the risks described above, or as a result of other risks not currently identified by the Investment Manager.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Company are discussed in the following notes.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

#### (a) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

The Company's listed and unlisted investments will only be traded on or subject to the rules of recognised stock exchanges or with counterparties which have, or whose parent company has been approved based on a set of defined criteria by the Investment Manager. All transactions in listed and unlisted securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal since the delivery of securities sold is made only once the broker has received payment. A purchase payment is only made once the securities have been received by the broker. If either party fails to meet their obligations, the trade will fail.

As at 31 December 2019 and 2018, the Company's credit risk arose principally from its other receivables, balances due from brokers, cash and cash equivalents and investments in debt securities.

The maximum exposure to credit risk faced by the Company is equal to the carrying amounts of these balances as shown on the statement of financial position. The maximum exposure to credit risk at the reporting date was as follows:

	31 December 2019	31 December 2018
	US\$	US\$
Investments in debt securities	-	6,480,744
Other receivables (i)	1,140,194	568,429
Balances due from brokers (i)	77,290	516,059
Cash and cash equivalents (ii)	9,473,320	32,791,633
	<b>10,690,804</b>	<b>40,356,865</b>

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 *Financial Instruments: Disclosures* are met by providing disclosures on the credit risk of the underlying financial assets held by the subsidiaries.

As at 31 December 2019 and 2018, the subsidiaries' credit risk arose principally from the subsidiaries' other receivables, balances due from brokers and cash and cash equivalents.

The maximum exposure to credit risk faced by the subsidiaries is equal to the carrying amounts of other receivables, balances due from brokers and cash and cash equivalents which were as follows at the reporting date:

	31 December 2019	31 December 2018
	US\$	US\$
Other receivables (i)	1,776,595	621,972
Balances due from brokers (i)	5,991,507	683,779
Cash and cash equivalents (ii)	14,151,289	19,208,229
	<b>21,919,391</b>	<b>20,513,980</b>

#### (i) Other receivables and balances due from brokers

Other receivables represented dividends receivable from investee companies. Balances due from brokers represented receivables from sales of securities. Credit risk relating to these amounts was considered as minimal due to the short-term settlement period involved.

No receivables as at 31 December 2019 and 2018 were past due.

#### (ii) Cash and cash equivalents

Cash and cash equivalents of the Company and its subsidiaries were held mainly with well-known financial institutions in Singapore and Vietnam. Regarding the credit rating profile of these financial institutions, the Directors believe credit risks from these deposits was minimal and do not expect that these financial institutions may default and cause losses to the Company.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Company also regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

As at 31 December 2019 and 2018, all the contractual maturities of non-derivative financial liabilities of the Company and its subsidiaries were payable within a year.

#### (c) Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates, will affect the income of the Company and the value of its holdings of financial instruments. The objectives of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### *Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual securities. The trading equity price risk exposure arises from the Company's investment portfolio. The Company is exposed to equity price risk on all of its directly held and underlying listed and unlisted equity investments for which an active over-the-counter market exists. The Company's equity price risk is managed by the Investment Manager who seeks to monitor the risk through a careful selection of securities within specified limits.

Equity price risk for the Company's underlying listed investments principally relates to investments listed on the Ho Chi Minh City Stock Exchange and the Hanoi Stock Exchange in Vietnam. The Investment Manager's best estimate of the effect on net assets and losses due to a reasonably possible change in equity indices, with all other variables held constant was as follows:

	Change in index level	Effects on net assets	Change in index level	Effects on net assets
	2019	2019	2018	2018
Market Indices	%	US\$m	%	US\$m
VN Index	16	232.86	48	687.08
VN Index	(16)	(232.86)	(48)	(687.08)

Equity price risk for the Company's underlying unlisted investments principally related to investments in over-the-counter and private equities in Vietnam. Valuation of these investments is made using appropriate valuation methodologies. The methodology of valuation of these investments takes into consideration a variety of factors, which means that the unlisted investments are also exposed to equity price risk.

The outbreak of novel coronavirus (COVID-19) continues to spread throughout countries across the world, Vietnam included. In the first quarter of 2020, COVID-19 has already had a negative impact on Vietnam's markets performance, which is expected to affect the Company's asset value and performance in 2020. Using the equity prices as of 20 April 2020, the aggregate fair value of the Company's financial assets at fair value through profit and loss as at 31 December 2019 would have decreased by US\$298,442,201, with all other variables held constant.

	31 December 2019	20 April 2019	Movement
	US\$	US\$	US\$
Financial assets at fair value through profit or loss			
• Listed investments	1,442,066,825	1,143,963,771	(298,103,054)
• Unlisted investments	4,248,258	3,909,111	(339,147)
Financial assets at fair value through profit or loss	1,446,315,083	1,147,872,882	(298,442,201)

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

#### Interest rate risk

The Company and its subsidiaries are exposed to risks associated with the effect of fluctuations in the prevailing levels of floating market interest rates on its financial position and cash flows. The Company and its subsidiaries have the ability to borrow funds from banks and other financial institutions in order to increase the amount of capital available for investments. Consequently, the level of interest rates at which the Company and its subsidiaries can borrow will affect the operating results of the Company and its subsidiaries. The Investment Manager monitors overall interest sensitivity of the Company and its subsidiaries on a monthly basis.

The table below summarises the Company's exposure to interest rate risk. Included in the table are the Company's assets and liabilities at carrying value, categorised by maturity date. The net interest sensitivity gap represents the contractual amounts of all interest sensitive financial instruments.

	Up to 1 year	1 - 5 years	Non-interest bearing	Total
31 December 2019	US\$	US\$	US\$	US\$
<b>ASSETS</b>				
Other receivables	-	-	1,140,194	1,140,194
Balances due from brokers	-	-	77,290	77,290
Cash and cash equivalents	9,473,320	-	-	9,473,320
<b>TOTAL ASSETS</b>	<b>9,473,320</b>	<b>-</b>	<b>1,217,484</b>	<b>10,690,804</b>
<b>LIABILITIES</b>				
Balances due to brokers	-	-	(864,287)	(864,287)
Accounts payable and accruals	-	-	(2,677,519)	(2,677,519)
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>(3,541,806)</b>	<b>(3,541,806)</b>
<b>NET INTEREST SENSITIVITY GAP</b>	<b>9,473,320</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>

	Up to 1 year	1 - 5 years	Non-interest bearing	Total
31 December 2018	US\$	US\$	US\$	US\$
<b>ASSETS</b>				
Other receivables	-	-	568,429	568,429
Balances due from brokers	-	-	516,059	516,059
Cash and cash equivalents	32,791,633	-	-	32,791,633
<b>TOTAL ASSETS</b>	<b>32,791,633</b>	<b>-</b>	<b>1,084,488</b>	<b>33,876,121</b>
<b>LIABILITIES</b>				
Borrowings	(60,000,000)	-	-	(60,000,000)
Balances due to brokers	-	-	(3,788,426)	(3,788,426)
Accounts payable and accruals	-	-	(2,817,513)	(2,817,513)
<b>TOTAL LIABILITIES</b>	<b>(60,000,000)</b>	<b>-</b>	<b>(6,605,939)</b>	<b>(66,605,939)</b>
<b>NET INTEREST SENSITIVITY GAP</b>	<b>(27,208,367)</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>

A change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the Ordinary Shareholders by US\$94,733 (31 December 2018: US\$272,084). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.



## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 *Financial Instruments: Disclosures* are met by providing disclosures on the interest risk of the underlying investments held by the subsidiaries.

The table below summarises the subsidiaries' exposure to interest rate risk. Included in the table are the subsidiaries' assets and liabilities categorised by maturity date. The net interest sensitivity gap represents the net carrying amounts of all interest sensitive financial instruments

	Up to 1 year	1 - 5 years	Non-interest bearing	Total
31 December 2019	US\$	US\$	US\$	US\$
<b>ASSETS</b>				
Other receivables	-	-	1,776,595	1,776,595
Balances due from brokers	-	-	5,991,507	5,991,507
Cash and cash equivalents	14,151,289	-	-	14,151,289
<b>TOTAL ASSETS</b>	<b>14,151,289</b>	<b>-</b>	<b>7,768,102</b>	<b>21,919,391</b>
<b>LIABILITIES</b>				
Balances due to brokers	-	-	(764,694)	(764,694)
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>(764,694)</b>	<b>(764,694)</b>
<b>NET INTEREST SENSITIVITY GAP</b>	<b>14,151,289</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>
	Up to 1 year	1 - 5 years	Non-interest bearing	Total
31 December 2018	US\$	US\$	US\$	US\$
<b>ASSETS</b>				
Other receivables	-	-	621,972	621,972
Balances due from brokers	-	-	683,779	683,779
Cash and cash equivalents	19,208,229	-	-	19,208,229
<b>TOTAL ASSETS</b>	<b>19,208,229</b>	<b>-</b>	<b>1,305,751</b>	<b>20,513,980</b>
<b>LIABILITIES</b>				
Balances due to brokers	-	-	(9,786,288)	(9,786,288)
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>(9,786,288)</b>	<b>(9,786,288)</b>
<b>NET INTEREST SENSITIVITY GAP</b>	<b>19,208,229</b>	<b>-</b>	<b>N/A</b>	<b>N/A</b>

A change of 100 basis points in interest rates would have increased or decreased the net assets attributable to the Company by US\$141,512 (31 December 2018: US\$192,082). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

#### *Foreign currency risk*

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Company and its subsidiaries' income or the value of its holding of financial instruments. The Company and its subsidiaries ensure that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates to address short-term imbalances where necessary.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

The table below summarises the exposure of the Company to currency risks as at 31 December 2019 and 2018. Included in the table are the assets and liabilities categorised by their base currency.

31 December 2019 (Denominated in VND)	US\$
<b>ASSETS</b>	
Financial assets at fair value through profit or loss	638,021,791
Other receivables	1,140,194
Balances due from brokers	77,290
Cash and cash equivalents	4,525,610
<b>TOTAL ASSETS</b>	<b>643,764,885</b>
<b>LIABILITIES</b>	
Balances due to brokers	864,287
<b>TOTAL LIABILITIES</b>	<b>864,287</b>
<b>NET CURRENCY POSITION</b>	<b>642,900,598</b>
<b>31 December 2018 (Denominated in VND)</b>	
<b>US\$</b>	
<b>ASSETS</b>	
Financial assets at fair value through profit or loss	613,929,733
Other receivables	568,429
Balances due from brokers	516,059
Cash and cash equivalents	12,174,343
<b>TOTAL ASSETS</b>	<b>627,188,564</b>
<b>LIABILITIES</b>	
Balances due to brokers	3,788,426
<b>TOTAL LIABILITIES</b>	<b>3,788,426</b>
<b>NET CURRENCY POSITION</b>	<b>623,400,138</b>

As at 31 December 2019, had the US\$ strengthened or weakened by 1% (31 December 2018: 2%) against the VND with all other variables held constant, the net assets attributable to the Ordinary Shareholders would have been decreased or increased by the amounts shown below. This analysis was performed on the same basis as in 2018.

	Denominated in VND
	US\$
2019	6,365,352
2018	12,223,532

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 *Financial Instruments: Disclosures* are met by providing disclosures on the currency risk of the underlying investments held by the subsidiaries.

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

The table below summarises the exposure of the subsidiaries to currency risks as at 31 December 2019 and 2018. Included in the table are the assets and liabilities categorised by their base currency.

31 December 2019 (Denominated in VND)	US\$
<b>ASSETS</b>	
Financial assets at fair value through profit or loss	808,293,291
Other receivables	1,776,595
Balances due from brokers	5,991,507
Cash and cash equivalents	14,151,106
<b>TOTAL ASSETS</b>	<b>830,212,499</b>
<b>LIABILITIES</b>	
Balances due to brokers	764,694
<b>TOTAL LIABILITIES</b>	<b>764,694</b>
<b>NET CURRENCY POSITION</b>	<b>829,447,805</b>
<b>31 December 2018 (Denominated in VND)</b>	
<b>US\$</b>	
<b>ASSETS</b>	
Financial assets at fair value through profit or loss	848,094,361
Other receivables	621,972
Balances due from brokers	683,779
Cash and cash equivalents	19,208,045
<b>TOTAL ASSETS</b>	<b>868,608,157</b>
<b>LIABILITIES</b>	
Balances due to brokers	9,786,288
<b>TOTAL LIABILITIES</b>	<b>9,786,288</b>
<b>NET CURRENCY POSITION</b>	<b>858,821,869</b>

As at 31 December 2019, had the US\$ strengthened or weakened by 1% (31 December 2018: 2% against VND with all other variables held constant, the net assets attributable to the Company would have been decreased or increased by the amounts shown below. This analysis was performed on the same basis as in 2018.

	Denominated in VND
	US\$
2019	8,212,355
2018	16,839,644

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

#### (d) Fair values of financial assets and liabilities

##### (i) Valuation model

The fair values of financial instruments that are traded in active markets are based on quoted prices or broker price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company makes its investments through wholly owned subsidiaries, which in turn own interests in various listed and unlisted equity and debt securities. The net asset value of the subsidiaries is used for the measurement of fair value. The fair value of the Company's underlying investments, however is measured in accordance with the valuation methodology which is in consistent with that for directly held investments.

##### (ii) Fair value hierarchy - Financial instruments measured at fair value

The table below analyses the Company's financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

As at 31 December 2019	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss				
• Listed investments	635,454,092	-	-	635,454,092
• Unlisted investments	-	2,567,699	-	2,567,699
• Investments in subsidiaries	-	-	829,447,988	829,447,988
	<b>635,454,092</b>	<b>2,567,699</b>	<b>829,447,988</b>	<b>1,467,469,779</b>
As at 31 December 2018	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets at fair value through profit or loss				
• Listed investments	603,385,614	-	-	603,385,614
• Unlisted investments	-	4,063,376	6,480,743	10,544,119
• Investments in subsidiaries	-	-	858,822,053	858,822,053
	<b>603,385,614</b>	<b>4,063,376</b>	<b>865,302,796</b>	<b>1,472,751,786</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements of the Company in three levels of the fair value hierarchy.

	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
	US\$		US\$		US\$	
Opening balance	603,385,614	496,641,848	4,063,376	50,369,389	865,302,796	1,055,649,982
Transfer from level 2 to level 1	-	46,463,084	-	(46,463,084)	-	-
Purchases	137,231,895	356,778,251	-	4,711,685	-	6,437,078
Sales	(121,429,871)	(160,253,233)	-	-	(6,437,078)	-
Net cash flows from subsidiaries	-	-	-	-	(69,908,995)	(177,572,707)
Unrealised gain/(losses) recognised in profit or loss	16,266,454	(136,244,336)	(1,495,677)	(4,554,614)	40,491,265	(19,211,557)
Closing balance	635,454,092	603,385,614	2,567,699	4,063,376	829,447,988	865,302,796
Total unrealised gain/(losses) for the year included in net changes in fair value of financial assets at fair value through profit or loss	16,266,454	(136,244,336)	(1,495,677)	(4,554,614)	40,491,265	(19,211,557)

The Company invests substantially all of its assets in its subsidiaries together with which it is managed as an integrated structure. The Directors decided that the objectives of IFRS 7 *Financial Instruments: Disclosures* are met by providing disclosures on the fair value hierarchy of the underlying investments held by the subsidiaries.

The table below analyses the subsidiaries' financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All fair value measurements below are recurring.

As at 31 December 2019	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Financial assets at fair value through profit or loss				
• Listed investments	806,612,733	-	-	806,612,733
• Unlisted investments	-	1,680,558	-	1,680,558
	806,612,733	1,680,558	-	808,293,291
As at 31 December 2018	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$
Financial assets at fair value through profit or loss				
• Listed investments	793,117,240	52,317,642	-	845,434,882
• Unlisted investments	-	2,659,479	-	2,659,479
	793,117,240	54,977,121	-	848,094,361

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements of investments through the subsidiaries in three levels of the fair value hierarchy.

	Level 1		Level 2		Level 3	
	2019	2018	2019	2018	2019	2018
		US\$		US\$		US\$
Opening balance	793,117,240	899,063,899	54,977,121	119,195,951	-	-
Transfer from level 2 to level 1	52,317,641	55,747,626	(52,317,641)	(55,747,626)	-	-
Purchases	102,170,069	235,899,686	-	3,083,797	-	-
Sales	(122,935,687)	(219,735,098)	-	(1,331,290)	-	-
Unrealised losses	(18,056,530)	(177,858,873)	(978,922)	(10,223,711)	-	-
Closing balance	806,612,733	793,117,240	1,680,558	54,977,121	-	-
Total unrealised losses included in net changes in fair value of financial assets at fair value through profit or loss	(18,056,530)	(177,858,873)	(978,922)	(10,223,711)	-	-

#### (e) Classification of financial assets and financial liabilities

The following table shows the classification of financial assets and financial liabilities of the Company:

	Designated at fair value	Amortised cost	Total carrying amount
31 December 2019	US\$	US\$	US\$
<b>Assets</b>			
Financial assets at fair value through profit or loss	1,467,469,779	-	1,467,469,779
Balances due from brokers	-	77,290	77,290
Other receivables	-	1,140,194	1,140,194
Cash and cash equivalents	-	9,473,320	9,473,320
<b>Total assets</b>	<b>1,467,469,779</b>	<b>10,690,804</b>	<b>1,478,160,583</b>
<b>Liabilities</b>			
Balances due to brokers	-	864,287	864,287
Accounts payable and accruals	-	2,677,519	2,677,519
<b>Total liabilities</b>	<b>-</b>	<b>3,541,806</b>	<b>3,541,806</b>

## Notes to the Financial Statements (Continued)

For the year ended 31 December 2019

### 15. FINANCIAL RISK MANAGEMENT AND UNCERTAINTY (Continued)

	Designated at fair value	Amortised cost	Total carrying amount
31 December 2018	US\$	US\$	US\$
<b>Assets</b>			
Financial assets at fair value through profit or loss	1,472,751,786	-	1,472,751,786
Balances due from brokers	-	568,429	568,429
Other receivables	-	516,059	516,059
Cash and cash equivalents	-	32,791,633	32,791,633
<b>Total assets</b>	<b>1,472,751,786</b>	<b>33,876,121</b>	<b>1,506,627,907</b>
<b>Liabilities</b>			
Borrowings	-	60,000,000	60,000,000
Balances due to brokers	-	3,788,426	3,788,426
Accounts payable and accruals	-	2,817,513	2,817,513
<b>Total liabilities</b>	<b>-</b>	<b>66,605,939</b>	<b>66,605,939</b>

#### (f) Capital management

The Company considers the capital under management as equal to net assets attributable to the Ordinary Shareholders. The Company has engaged the Investment Manager to allocate the net assets in such a way to generate investment returns that are commensurate with the investment strategies of the Company.

#### B. Uncertainty

Although the Company and its subsidiaries are incorporated in the Cayman Islands and the British Virgin Islands, respectively, where tax is exempt, their activities are primarily focused in 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 and its subsidiaries 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 different and inconsistent interpretation. The Directors believe that it is unlikely that the Company will be exposed to tax liabilities in Vietnam.

### 16. SUBSEQUENT EVENTS

In March 2020, the Company repurchased, through Rickmansworth Limited, 196,997 Ordinary Shares of the Company with total value of US\$746,884.17. Shares repurchased will, for as long as they are held by Rickmansworth Limited, be held for the benefit of the Company.

### 17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2020.

## Corporate Information

### Registered Office

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### Company Secretary

#### Maples Secretaries (Cayman) Limited

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### Administrator and Offshore Custodian

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