

PXP Vietnam Fund Limited

Audited Financial Statements
30 September 2007

PXP Vietnam Fund Limited

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PXP Vietnam Fund Limited

MANAGEMENT AND ADMINISTRATION
as at 30 September 2007

DIRECTORS

Philip Smiley
Christopher Vale
Dinh Thi Hoa
Antony Jordan
Markus Winkler

REGISTERED OFFICE

PXP Vietnam Fund Limited
CARD Corporate Services Ltd.
4th Floor, Zephyr House, Mary Street
PO Box 709 GT, George Town
Grand Cayman, Cayman Islands
British West Indies

INVESTMENT MANAGER

PXP Vietnam Asset Management Limited
PO Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

CUSTODIAN

Deutsche Bank A.G., Hong Kong Branch
52/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

ADMINISTRATOR

Bank of Bermuda (Cayman) Limited
PO Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands

ADMINISTRATOR'S AGENT

HSBC Institutional Trust Services (Asia) Limited
1 Queen's Road Central
Hong Kong

PXP Vietnam Fund Limited

MANAGEMENT AND ADMINISTRATION (continued)
as at 30 September 2007

LEGAL ADVISORS

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Hanoi
Vietnam

Charles Adams, Ritchie & Duckworth
Attorneys-at-law
PO Box 709 GT
Grand Cayman
Cayman Islands
British West Indies

AUDITORS

Ernst & Young Vietnam Limited
Saigon Riverside Office Center
2A-4A Ton Duc Thang Street
District 1
Ho Chi Minh City
Vietnam

PXP Vietnam Fund Limited

REPORT OF THE BOARD OF DIRECTORS as at and for the year ended 30 September 2007

The Board of Directors of PXP Vietnam Fund Limited (“the Fund” or “the Company”) presents its report and the Company’s financial statements as at and for the year ended 30 September 2007.

THE COMPANY

The Fund is a closed-end investment company with limited liability incorporated in the Cayman Islands on 7 May 2003 under the provisions of the Companies Law, Cap 22 (Revised) of the Cayman Islands.

PRINCIPAL ACTIVITY

The principal activity of the Fund is investment holding with an objective to seek long term capital appreciation of its assets by investing in a portfolio of equity securities of listed or pre-listing Vietnamese companies, whether established with domestic or foreign ownership.

STATE OF AFFAIRS AS AT 30 SEPTEMBER 2007 AND RESULTS FOR THE YEAR

The balance sheet as at 30 September 2007 and the income statement for the year then ended and the notes thereto, are set out on pages 11 to 31. Net income for the year ended 30 September 2007 was USD 69,079,223 (2006: USD 23,858,876).

DIVIDENDS

No dividends were paid or proposed during the year.

THE BOARD OF DIRECTORS

The Board currently has five directors who are independent non-executive directors except for the shareholding of the two directors as mentioned below. No director is an employee of the Fund or the Investment Manager.

Philip Smiley	Chairman
Christopher Vale	Member
Dinh Thi Hoa	Member
Antony Jordan	Member
Markus Winkler	Member

DIRECTORS’ INTERESTS

As at 30 September 2007, Mr. Markus Winkler, a Trust of which Philip Smiley’s family are the principal beneficiaries, and the Investment Manager held 271,000 shares, 41,000 shares and 50,000 shares of the Company, respectively (2006: 206,256 shares, 41,000 shares and 1 share were held by Mr. Markus Winkler, Mr. Philip Smiley, and the Investment Manager, respectively).

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to accept reappointment.

PXP Vietnam Fund Limited

REPORT OF THE BOARD OF DIRECTORS (continued)
as at and for the year ended 30 September 2007

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for the financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its results and cash flows for the year then ended. In preparing those financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company are kept, and that the accounting records comply with the registered accounting system. 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 Board of Directors confirms that the Company has complied with the above requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 30 September 2007, and of the results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

On behalf of the Board of Directors:

Philip Smiley
Chairman of the Board of Directors

Dinh Thi Hoa
Director

Ho Chi Minh City, Vietnam

21 January 2008

PXP Vietnam Fund Limited

INVESTMENT MANAGER'S REPORT

as at and for the year ended 30 September 2007

REVIEW OF THE YEAR

During the period under review the Company's NAV per share increased by 114.32% from US\$ 5.036 to US\$ 10.793. This compares with a rise in the VNI of 96.93% in USD terms over the same period.

This performance was recognised with a nomination for Best Single Country Fund by AsiaHedge at the 2007 Annual Awards, but its return was overshadowed by that of the China funds also nominated with the winner having achieved an increase in its net assets in excess of 150% over the same period.

The Company's outperformance against its benchmark can be attributed in part to stock selection but also reflects the Company's conservative valuation policy regarding pre-listed holdings. Four of the Company's holdings (all but one of which were previously valued at cost) were listed in November or December 2006 onto a market which rose 129% between 1 November 2006 and mid-March 2007.

Longer term the comparatives are equally favourable from the Company's perspective, with the NAV per share up 307.44% against a VNI gain of 255.52% in USD terms over two years and up 350.46% compared to a VNI increase of 337.77% in USD terms over three years.

STOCK MARKET

The final quarter of 2006 (the first of the Company's financial year) was undoubtedly the most significant in the history of the Vietnam Stock Exchange to date, with fifty seven new listings in Ho Chi Minh City and a further seventy four in Hanoi. This rapid market expansion was driven by the removal of tax exemptions on listing, which came into effect on 1 January 2007.

A number of new funds were launched during this period, including Vietnam Lotus Fund by the Investment Manager, targeting investment in the listed market, which achieved a market capitalisation of US\$ 8.9 billion in Ho Chi Minh City alone by the end of calendar 2006, as well as in the wave of equitisations of large scale state-owned enterprises ("SOE"s) expected to follow in 2007.

Anticipation of the impact of the new listings on the total capitalisation of the market was followed by the realisation that larger and, in global terms more important institutions were now ready to participate either directly or via the participation certificates offered by a number of global investment banks, and the index surged to a high of 1,170 (from 526.73 at the start of the financial year) by 12 March 2007. Average daily turnover rose significantly over the period from US\$ 8.3 million in October 2006 to a record US\$ 62.5 million in February 2007. This exuberance spilled over into the auctions of shares in privatising SOEs where during the first couple of months of 2007 successful bids for shares at such auctions were often, bizarrely, at significantly higher multiples than that of similar listed stocks.

In early March rumours began circulating that the Government was considering introducing capital controls. Apparently, these were to be aimed at stemming the significant foreign indirect investment capital entering Vietnam and restraining the rapidly rising market. Although widely reported, these rumours proved unfounded but were, along with a global Emerging Market correction, enough to worry investors, both on and offshore. As a result, the VNI ended the month of March 2007 down 5.83%. The negative sentiment adversely affected the post-auction settlement of several equitising SOEs. One example was the auction of the shares of Cadivi, a telecoms cable manufacturer. The auction, held at the end of January 2007, was nearly 20 times oversubscribed. The average price at the auction was equal to 173 times estimated 2007 earnings and 305 times 2006 earnings. However, in April it was revealed that just under 90% of the successful bidders in the Cadivi auction had failed to meet the payment deadline, preferring, instead, to forfeit their 10% deposits. Several other auctions held during the 1H 2007, such as that of PetroVietnam Gas, Bao Viet Insurance and Thac Mo, were similarly affected. In Bao Viet's case the foreign strategic investors who were due to pay the average auction price apparently backed away from the deal. It was only in September 2007 that HSBC agreed to become a strategic investor, buying 10% of the company at close to the average auction price.

PXP Vietnam Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 30 September 2007

STOCK MARKET (continued)

The VNI continued to fall in April 2007, down 13.76%, but bounced back again in May 2007, up 17.06%. On 28 May 2007, in an attempt to reduce what it saw as excessive margin lending, the Government ordered banks to reduce such lending to no more than 3% of total outstanding loans within six months. This effectively turned off the margin financing tap and sentiment was negatively impacted. As a result, the VNI fell 5.25% in June 2007 and 11.39% during July 2007. On the 30 July 2007 the HoSTC changed its name to the Ho Chi Minh Stock Exchange (HOSE). August saw a small rise of 0.05% and September continued the trend, ending the month up 15.25%.

Average daily turnover for the period was USD 37.24 million versus USD 4.66 million for the same period in 2006, with February 2007 achieving a daily record of USD 62.5 million. Sixty six companies listed during the period under review making a total of one hundred and fifteen companies listed at the HOSE by the end of the September 2007 with a combined market capitalisation of USD 16.92 billion.

During the period under review the Company added to existing core positions, mainly through rights issues and whenever room became available in stocks which had reached the foreign ownership limit.

The Hanoi Securities Trading Centre (HaSTC) followed a similar pattern but only managed a gain of 57.80% in US\$ terms over the period under review. It continues to post negotiated transactions only and remains relatively illiquid - average daily turnover for the period under review was USD 8.71 million. Seventy nine companies listed and one company de-listed making a total of ninety one companies listed at the HOSE by the end of the September 2007 with a combined market capitalisation of USD 6.96 billion. Although we remain largely on the sidelines for the moment with only one Hanoi-listed holding in the portfolio at the time of writing, we continue to follow the HaSTC's development closely, waiting for the time when it begins to attract larger and more interesting listings and significant investor participation.

The Company maintained its value stance at the auctions it participated in during Q1 2007 and, as a result, was unsuccessful with its bids during this period of over pricing. However, as sentiment deteriorated in April 2007 the Company did manage to buy shares in the PetroVietnam Fertiliser auction below the average price. Thereafter, as market sentiment continued to weaken, the pace of equitisations and auctions slowed, and the Company was unable to add significantly to pre-listing holdings. As a result, the Company acquired most of its unlisted purchases during the period under review through private placements and "invitation only" auctions of private companies, such as NAVICO.

Several large SOEs held auctions towards the end of the 2007 and early 2008, namely Vietcombank and SABECO. We expect that this process will continue during 2008 but at a staggered pace so that liquidity within the market is not too badly affected. We believe that 2008 should see matters firmly back on track with companies such as HABECO, Incombank, Mekong Housing Bank, Mobifone and Vinaphone slated for equitisation. The authorities have a market capitalisation target of between USD 30 billion and USD 40 billion by the end of 2010. With the pipeline of equitisations mooted over the next few years we believe that this target is easily achievable.

ECONOMY

The Vietnamese economy continued to grow during 2007. The Real Gross Domestic Product (GDP) rate of growth in 2007 was 8.48%. Nominal GDP growth in 2007 was 17.42% reaching a figure of USD 71.01 billion (FY 2006, USD 60.95 billion). Much of this was due to the continuing strength of the key economic drivers; rising exports, domestic demand and foreign direct investment ("FDI").

PXP Vietnam Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 30 September 2007

ECONOMY (continued)

Trade continued to expand as exports increased by 21.5% for FY 2007. Once again, the strength of crude oil prices played a major role as Vietnam remains one of Asia's few net exporters of oil. In addition, Vietnam's increasing global integration led to healthy rises in the exports of garments, furniture, aquatic products, electronics, electric cables and coffee. Import growth of 35.1% was significantly above that of FY 2006 as imports of vital capital generating machinery, the largest amongst the inward categories, saw increased growth (up an estimated 58% on FY 2006), as did the import of export components and commodities, much of which due to rising global prices. The resulting trade deficit of USD 12.443 billion was more than double that of FY 2006 and the equivalent of 17.5% of GDP, the largest it has ever been. However, we expect that this deficit is likely to have been well covered by non-trade inflows such as; FDI (disbursed estimate is USD 4.3 billion); FII (we have seen estimates as high as USD 5 billion); remittances from Overseas Vietnamese (estimated at USD 5.0 billion through official channels); and other inflows from overseas development assistance (ODA) and tourism. The growing private sector continues to enhance domestic demand. Private sector industrial production rose 20.9% versus FY 2006 and retail sales grew by 25.0%. FDI rose to record levels as new FDI commitments for FY 2007 reached USD 21.156 billion, twice that of FY 2006 (USD 10.0 billion). FDI disbursement reached USD 4.3 billion, up 4.9% on FY 2006.

Vietnam was given the green light to become the WTO's 150th member on 7 November 2006. Vietnam's National Assembly ratified the country's admission on 28 November 2006 and the country officially joined the WTO on 11 January 2007. This is expected to have many positive benefits for Vietnam and will help Vietnam refine its reform process and create opportunities for trade expansion. However, WTO will allow increasingly greater competition from foreign entities which will undoubtedly impact many Vietnamese businesses, some for the worse but some for the better.

The rise in foreign investment during Q1 2007, particularly FII, began to place upward pressure on the Vietnam Dong (VND). This led to the capital control rumours which several international banks picked up on and highlighted as an emerging risk. This, combined with the global Emerging Market correction in March 2007, temporarily reduced the rate at which FII flowed into the country, thus allaying any need for these rumours to become reality. We have seen quotes of M2 increasing by 40% during 2007. If true, then VND liquidity clearly rose and is likely to have played a role in pushing up inflation in 2007. However, we believe that this role was merely a walk-on as opposed to the lead.

FY 2007 inflation reached 12.6% (FY 2006, 6.6%) and remains an on-going concern. If we look at the breakdown of the Consumer Price Index (CPI) weightings the dominating influence continues to be food with its weighting of 42.9%. Food alone rose 18.9% during 2007, much of which can be attributed to domestic supply shocks caused by disease such as Blue Ear (swine) and imported food, both raw ingredients and finished products. In addition, imported commodities such as refined oil products and steel have had a negative impact on inflation, further compounded by the VND's crawling peg against the US\$. However, the State Bank spent much of 2007 trying to mop up liquidity as a means of reducing inflation through such measures as; raising the reserve requirements from 8% for USD and 5% for VND to 10% for both; turning off the margin lending tap; and increasing the number of bills issued by the State Bank. Yet these had little impact on prices as inflation continued to rise. It seems that the most obvious cure for imported inflation would be to allow the VND to appreciate. Such a move may have a negative effect on exports but we believe that this would prove to be temporary. Vietnam's largest export competitor, China, has allowed its currency to appreciate around 15% against the USD over the last couple of years whilst VND has depreciated by about 1.5% against the USD over the same period. Therefore, if the VND were to appreciate by 5% export competitiveness is likely to remain intact and it would soften the rate of imported inflation.

STRATEGY

Our strategy remains much the same as for last year. When we see good value in the market we will continue to build on the Company's existing core holdings whilst actively seeking opportunities to invest in pre-listing companies that meet the Company's investment criteria.

PXP Vietnam Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 30 September 2007

OUTLOOK

We remain confident that the macroeconomic environment will continue to advance. The Government GDP growth target for 2008 of between 8.5% - 9.0% is possible, yet this target is threatened by a potential slow-down in trade growth should USA domestic consumption decline. Otherwise we expect to see a continuation of trade growth, as the benefits of WTO membership evolve, and rising FDI, attracted to continuing reforms, an attractive business environment, and political stability. Both of these drivers will complement already vibrant domestic demand. However, the State Bank's continued attempt to reduce inflation by further liquidity tightening may also act as a slight drag on growth and thus reduce the ability to meet the GDP growth target. We continue to see increasing opportunities for the Company to invest in the growing number of relatively larger SOEs and private companies that are now preparing to equitise and list over the next few years.

PORTFOLIO REVIEW

Portfolio as at 30 September 2007 - Top Ten Holdings

	Company	Portfolio	Value	% of	Index
	Code	Holding	USD	NAV	Weighting
1	REE	1,523,793	14,588,106	11.26%	3.20%
2	SAM	1,469,137	14,338,845	11.07%	3.11%
3	VNM	1,236,560	13,990,679	10.80%	11.71%
4	STB	2,798,230	12,176,814	9.40%	11.32%
5	GMD	1,020,215	9,006,007	6.95%	2.46%
6	KDC	420,000	6,657,968	5.14%	3.33%
7	AGF	909,108	5,821,098	4.49%	0.48%
8	BMP	477,160	5,458,007	4.21%	0.93%
9	BMC	145,590	4,543,468	3.51%	0.72%
10	BVSC	161,766	4,324,221	3.34%	1.87%

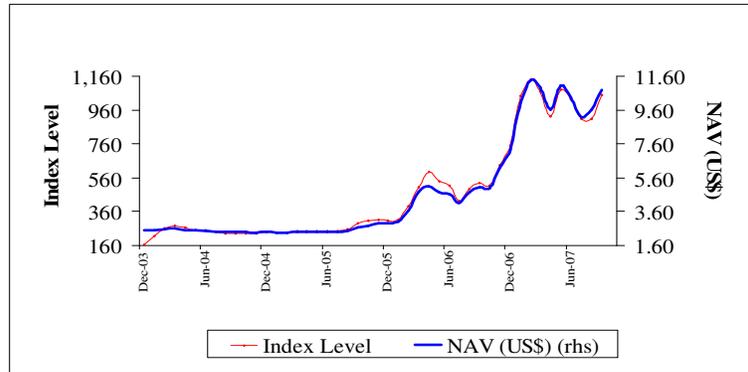
PXP Vietnam Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 30 September 2007

PERFORMANCE

The performance of the Company against the benchmark index since inception to the end of September 2007 is shown in the following graph:

NAV per share & VNI Levels Since Inception



On behalf of the Investment Manager:

Kevin Snowball and Jonathon Waugh

Investment Managers

21 January 2008

Reference: 11241/11107

INDEPENDENT AUDITORS' REPORT
on the financial statements of PXP Vietnam Fund Limited
as at and for the year ended 30 September 2007

To the Members of PXP Vietnam Fund Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the accompanying financial statements of PXP Vietnam Fund Limited ("the Company"), which comprise the balance sheet as at 30 September 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 September 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young Vietnam Ltd.
Saigon Riverside Office Center
8th Floor, 2A – 4A Ton Duc Thang, District 1
Ho Chi Minh City, Vietnam

21 January 2008

PXP Vietnam Fund Limited

BALANCE SHEET
as at 30 September 2007

	<i>Notes</i>	<i>2007 USD</i>	<i>2006 USD</i>
ASSETS			
Cash and cash equivalents	3	93,344	7,193,345
Investment securities	4	129,227,220	53,884,947
Sundry debtors	5	<u>371,464</u>	<u>41,525</u>
Total assets		<u>129,692,028</u>	<u>61,119,817</u>
LIABILITIES			
Accounts payable and accruals	6	103,830	165,775
Withholding tax payable		2,487	-
Due to brokers	7	<u>71,056</u>	<u>518,610</u>
Total liabilities		<u>177,373</u>	<u>684,385</u>
NET ASSETS		<u>129,514,655</u>	<u>60,435,432</u>
EQUITY			
Issued capital	8	590,073	591,397
Share premium	8	33,417,549	33,492,504
Retained earnings		94,876,451	25,882,552
Cumulative translation reserve		<u>630,582</u>	<u>468,979</u>
Total shareholders' equity		<u>129,514,655</u>	<u>60,435,432</u>
Net asset value per share	9	<u>10.793</u>	<u>5.036</u>

The attached Notes 1 to 15 form part of these financial statements.

PXP Vietnam Fund Limited

INCOME STATEMENT

for the year ended 30 September 2007

	<i>Notes</i>	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
INCOME			
Unrealised gain on financial assets at fair value		60,297,133	21,644,344
Realised gain on financial assets at fair value		9,930,664	2,081,747
Dividend income		1,254,673	912,027
Interest income		73,855	320,144
Unrealized gain on foreign exchange		4,564	-
Other income		-	<u>7,173</u>
Total investment income		<u>71,560,889</u>	<u>24,965,435</u>
OPERATING EXPENSES			
Management fee	11	2,113,289	812,725
Administration expenses	13	149,764	58,984
Directors' fees	11	50,030	49,864
Professional and consultant fees		48,662	52,202
Commission		44,241	32,208
Realised loss on foreign exchange		27,705	41,774
Custodian fee	13	14,525	21,828
Unrealised loss on foreign exchange		-	169
Other expenses		<u>33,450</u>	<u>36,805</u>
Total operating expenses		<u>2,481,666</u>	<u>1,106,559</u>
NET INCOME BEFORE TAX		69,079,223	23,858,876
INCOME TAX EXPENSE	10	<u>-</u>	<u>-</u>
NET INCOME AFTER TAX		<u>69,079,223</u>	<u>23,858,876</u>
Earnings per share	9	<u>5.757</u>	<u>2.320</u>

The attached Notes 1 to 15 form part of these financial statements.

PXP Vietnam Fund Limited

STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2007

<i>Notes</i>	<i>Issued capital USD</i>	<i>Share premium USD</i>	<i>Retained earnings USD</i>	<i>Cumulative translation reserve USD</i>	<i>Total USD</i>
At 1 October 2006	591,397	33,492,504	25,882,552	468,979	60,435,432
Net income for the year	-	-	69,079,223	-	69,079,223
Currency translation differences	<u>(1,324)</u>	<u>(74,955)</u>	<u>(85,324)</u>	<u>161,603</u>	<u>-</u>
At 30 September 2007	<u>590,073</u>	<u>33,417,549</u>	<u>94,876,451</u>	<u>630,582</u>	<u>129,514,655</u>
At 1 October 2005	425,358	20,099,139	2,023,676	138,351	22,686,524
Net income for the year	-	-	23,858,876	-	23,858,876
Issue of ordinary shares: USD0.05 par value per share					
Fourth offering: 3,435,999 shares	8	-	-	-	171,800
Share premium	8	13,718,232	-	-	13,718,232
Currency translation differences	<u>(5,761)</u>	<u>(324,867)</u>	<u>-</u>	<u>330,628</u>	<u>-</u>
At 30 September 2006	<u>591,397</u>	<u>33,492,504</u>	<u>25,882,552</u>	<u>468,979</u>	<u>60,435,432</u>

The attached Notes 1 to 15 form part of these financial statements.

PXP Vietnam Fund Limited

CASH FLOW STATEMENT

for the year ended 30 September 2007

	<i>Notes</i>	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of financial assets at fair value		14,099,796	5,429,201
Dividends received		1,173,159	912,027
Interest received		76,437	328,783
Purchase of financial assets at fair value		(19,391,103)	(19,083,178)
Payments to investment manager, administrator and suppliers		(2,963,461)	(1,039,991)
Deposit paid to buy shares		(94,829)	(38,943)
Other income received		<u>-</u>	<u>7,173</u>
Net cash flows used in operating activities		<u>(7,100,001)</u>	<u>(13,484,928)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Net proceeds from issuance of ordinary shares	8	<u>-</u>	<u>13,890,032</u>
Net increase (decrease) in cash and cash equivalents		(7,100,001)	405,104
Cash and cash equivalents at beginning of year		<u>7,193,345</u>	<u>6,788,241</u>
Cash and cash equivalents at end of year	3	<u><u>93,344</u></u>	<u><u>7,193,345</u></u>

The attached Notes 1 to 15 form part of these financial statements.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 30 September 2007

1. CORPORATE INFORMATION

PXP Vietnam Fund Limited (“the Fund” or “the Company”) is a closed-end investment company with limited liability incorporated in the Cayman Islands on 7 May 2003 under the provisions of the Companies Law, Cap. 22 (Revised), of the Cayman Islands as an exempted company.

The Fund’s shares are listed on the Irish Stock Exchange. The address of the Fund’s registered office is as follows:

CARD Corporate Services Ltd.
4th Floor, Zephyr House, Mary Street
PO Box 709 GT, George Town
Grand Cayman, Cayman Islands
British West Indies

The Fund has no employees.

The principal activity of the Fund is investment holding with an objective to seek long term capital appreciation of its assets by investing in a portfolio of equity securities of listed or pre-listing Vietnamese companies, whether established with domestic or foreign ownership.

The Fund commenced commercial operations in January 2004.

2.1 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value that have been measured at fair value. The financial statements are presented in United States dollars (“USD”).

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Currency of presentation

These financial statements are prepared primarily to meet the reporting requirements for listing in the Irish Stock Exchange and are prepared for each of the shareholders. The Fund’s shares are marketed to foreign investors. The shareholders’ investments in the Company are made in USD and the Company will have to convert Vietnam dong (“VND”) back to USD prior to distributing any income and realisation proceeds from any investments made in VND to the shareholders. Since the financial statements serve primarily parties outside Vietnam, management deemed it more appropriate to present the financial statements in USD rather than in its functional currency of VND.

Functional currency

Management has determined that its functional currency is VND based on the following:

- The Fund has to date conducted its main investing activities in Vietnam. All such investments are originally made in VND denominated securities/assets and will be liquidated and realized in VND. While the return to shareholders upon the Fund’s liquidation would be in USD, this would be based on the prevailing exchange rate at that time, thus investors bear the foreign exchange risk.
- While financing activities are primarily in USD, there will be no further issues once the 12,000,000 authorized shares have been fully subscribed and issued. As at 30 September 2007, 11,999,999 authorized shares have been issued and fully paid. Redemption of shares is only done upon liquidation and/or in certain conditions as stated in the Memorandum and Articles of Association of the Company and thus not expected to be a regular transaction. The holders of shares have no right to require their shares to be redeemed by the Fund.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the balance sheet and cash flow statement comprise cash in banks and short term deposits with an original maturity of three months or less.

Investment securities and other financial assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised at the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

The Company classified its investments intended to be held for an indefinite period and may be purchased or sold in response to changes in available cash resources arising from share issues or repurchases as financial assets at fair value. The Company believes that designating these investments as financial assets at fair value will provide more relevant information since these financial assets are managed and its performance evaluated on a fair value basis in accordance with the Company's investment strategy. The Company would also buy and sell investments to balance the risks in the portfolio arising from changes in market conditions and to meet designated investment restrictions.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

All investment securities are initially recognised at fair value. After initial recognition, financial assets are measured at fair value with gains or losses being recognised in profit or loss, except for investments in pre-listing securities which are substantially measured at cost.

The fair value of investments that are actively traded is determined by reference to quoted market bid prices at the close of business at the balance sheet date.

Loans and receivables

Receivable from sundry debtors are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement, receivables are carried at amortised cost using the effective interest method less any allowance for impairment.

Gains or losses are recognised in profit or loss when the receivables are derecognised or impaired as well as through the amortisation process.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities include accounts payable and accruals, tax payable and due to brokers. These are initially recognised at fair value. After initial recognition, these liabilities are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Share capital and premium

The Fund's ordinary shares with discretionary dividends are classified as equity.

Transaction costs that relate to the issue of the Fund's shares are accounted for as a deduction from equity.

Net asset value per share and earnings per share

The net asset value per share is calculated by dividing the net assets included in the balance sheet by the number of participating shares in issue at the balance sheet date.

Earnings per share is calculated by dividing the net income attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Fund retains the rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Impairment of financial assets

The Fund assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. For pre-listing assets carried at cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market rate of return for similar assets.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognised in profit or loss.

Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Dividend income

Dividends are recognised when the Fund's right to receive payment has been established.

Interest income

Interest income is recognised as interest accrues using the effective yield method, comprising mainly the interest earned on cash deposits.

Expenses

Expenses are accounted for on the accrual basis.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value is determined.

As at the reporting date, the assets, liabilities and equity items of the Company are translated into the presentation currency (the USD) at the exchange rate ruling at the balance sheet date and the exchange differences arising on translation are taken directly to a separate component of equity and shown as cumulative translation reserve. Income and expenses are translated at the exchange rates on the date of transaction.

2.4 FUTURE CHANGES IN ACCOUNTING POLICIES

The Company has not applied the following IAS and IFRIC interpretations that have been issued but are not yet effective:

IFRS 2 Share-based Payments – Vesting Conditions and Cancellations

This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions. The Company has no share-based payment schemes and, therefore, does not expect this Standard to have an impact on its financial statements.

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. The Company does not expect this Standard to impact its financial statements.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

2.4 FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. This IFRS is effective for financial years beginning on or after 1 January 2007. The Company will consider the impact of this Standard in its financial statements.

IFRS 8 Operating Segments

This standard requires disclosure of information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. This standard is effective for financial years beginning on or after 1 January 2009. The Company does not expect this Standard to impact its financial statements.

IAS 1 Amendment - Presentation of Financial Statements

The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Company will evaluate whether it will have one or two statements.

IAS 23 Borrowing Costs

The revised IAS 23 Borrowing Costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. The Company does not expect this Standard to impact its financial statements.

IFRIC 10 Interim Financial Reporting and Impairment

IFRIC Interpretation 10 requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. This interpretation is effective for financial years beginning on or after 1 November 2006. The Company will consider the impact of this interpretation in its financial statements.

IFRIC 11 IFRS 2 - Group and Treasury Share Transactions

IFRIC Interpretation 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme. This interpretation is effective for financial years beginning on or after 1 March 2007. The Company does not expect this interpretation to impact its financial statements.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation does not apply to the activities of the Company.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation will have no impact on the Company's financial statements as no such schemes currently exist.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

2.4 FUTURE CHANGES IN ACCOUNTING POLICIES (continued)

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This interpretation does not apply to the activities of the Company.

3. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2007 USD	2006 USD
Current accounts		
In VND	37,909	675,763
In USD	55,435	922,358
Short term fixed deposits		
In VND	-	619,709
In USD	<u>-</u>	<u>4,975,515</u>
Total	<u>93,344</u>	<u>7,193,345</u>

In 2006, short term deposits in USD earned average annual interest at rates ranging from 3.56% to 4.75% during the year (2007: nil).

4. INVESTMENT SECURITIES

	2007 USD	2006 USD
<i>Listed securities</i>		
At cost	40,457,003	24,908,516
Net unrealised gains arising from changes in the fair values of financial assets	<u>84,276,746</u>	<u>23,776,735</u>
Net	<u>124,733,749</u>	<u>48,685,251</u>
<i>Pre-listing securities</i>		
At cost	4,493,471	5,047,671
Net unrealized gains arising from changes in the fair values of financial assets	<u>-</u>	<u>152,025</u>
Net	<u>4,493,471</u>	<u>5,199,696</u>
Total	<u>129,227,220</u>	<u>53,884,947</u>

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

4. INVESTMENT SECURITIES (continued)

These financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

Investments in pre-listing securities are substantially measured at cost rather than at their fair values since the Company considers the fair value information on these pre-listing securities available in the market in which these financial assets are being traded as presently not reliable due to the wide possible range of estimates within which fair value is likely to lie. Accordingly, the Company only measures these financial assets at their fair values upon availability of reliable comparable transactions.

The details of exposure to listed and pre-listing Vietnamese equity securities at fair values at the balance sheet dates of the current and prior year are set out in the following tables:

30 September 2007

<i>Description</i>	<i>Number of shares</i>	<i>Recorded cost of investment</i>	<i>Fair market value *</i>	<i>% of each investment by industry</i>	<i>% to NAV</i>
<i>Agriculture</i>					
Hoa Binh Rubber Company	270,000	333,072	3,105,187	2.40	2.40
Southern Seed Corporation	754,830	1,065,788	2,909,331	2.25	2.52
Total	1,024,830	1,398,860	6,014,518	4.65	4.92
<i>Construction & Materials</i>					
Hoa An Joint Stock Co	343,520	772,639	1,975,359	1.53	1.53
620 Chau Thoi Concrete Corp	712,386	1,695,129	3,100,028	2.40	2.39
Nui Nho (Pre-listing)	250,000	501,989	501,990	0.39	0.39
Total	1,305,906	2,969,757	5,577,377	4.32	4.31
<i>Finance</i>					
Bao Viet Security Co.	161,766	898,030	4,324,221	3.35	3.34
Saigon Thuong Tin Commercial Joint Stock Bank (a)	2,798,230	6,929,204	12,176,814	9.42	9.40
Total	2,959,996	7,827,234	16,501,035	12.77	12.74
<i>Property</i>					
Refrigeration Electrical Engineering Corporation	1,523,793	2,692,277	14,588,106	11.29	11.26
<i>Garments</i>					
Binh Thanh Import & Export (d)	1,001,000	1,941,921	3,391,430	2.62	2.62
Khanh Hoi Import Export Company (e)	73,452	131,206	141,553	0.11	0.12
Total	1,074,452	2,073,127	3,532,983	2.73	2.74
<i>Energy</i>					
Pha Lai Thermal Power Joint Stocks Company	5,000	22,794	19,893	0.02	0.02
<i>Oils & gas</i>					
Petrovietnam Drilling and Well Services Joint Stock Company (b)	80,000	648,390	845,456	0.65	0.65

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

4. INVESTMENT SECURITIES (continued)

30 September 2007 (continued)

<i>Description</i>	<i>Number of shares</i>	<i>Recorded cost of investment</i>	<i>Fair market value *</i>	<i>% of each investment by industry</i>	<i>% to NAV</i>
<i>Furniture</i>					
Saigon-Vientiane Export Import Co (c)	826,350	1,668,553	3,133,618	2.42	2.42
<i>Telecommunications</i>					
Cable & Telecommunications Materials Joint Stock Company (f)	1,469,137	2,324,371	14,338,845	11.10	11.07
<i>Logistics</i>					
General Forwarding and Agency Corp	1,020,215	3,207,776	9,006,007	6.97	6.95
Transforwarding Warehouse Corp	521,004	976,960	2,283,402	1.77	1.76
Hanoi Maritime Holdings Company	352,163	344,965	928,243	0.72	0.72
Total	1,893,382	4,529,701	12,217,652	9.45	9.43
<i>Pharmacy</i>					
Imexpharm (g)	209,630	546,394	2,072,062	1.60	1.60
Mekophar (Pre-listing)	100,000	423,971	423,971	0.33	0.33
Total	309,630	970,365	2,496,032	1.93	1.93
<i>Food and Beverage</i>					
An Giang Fisheries Import Export Co	909,108	2,543,827	5,821,098	4.50	4.49
Interfood Shareholding Company	25,636	54,533	64,544	0.05	0.05
Vietnam Dairy Products Joint Stock Co (Vinamilk)	1,236,560	2,449,364	13,990,679	10.83	10.80
Bien Hoa Confectionery Corp	414,820	426,332	2,604,554	2.02	2.01
Kinh Do Corporation	420,000	1,807,472	6,657,968	5.15	5.14
North Kinh Do Food Joint Stock Company	241,740	466,455	3,486,492	2.70	2.69
Nam Viet Joint Stock Company (Pre-listing)	400,000	2,486,637	2,486,638	1.92	1.92
Sao Ta Foods Joint Stock Company	586,500	2,046,387	2,114,697	1.64	1.64
Cuulong Fish Joint-Stock Company	180,000	574,409	984,708	0.76	0.76
Bentre Aquaproduct Import and Export Joint Stock Company	18,048	93,497	117,807	0.09	0.09
Vinh Hoan Co. (Pre-listing)	100,000	317,046	317,046	0.25	0.24
Total	4,532,412	13,265,959	38,646,231	29.91	29.82

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

4. INVESTMENT SECURITIES (continued)

30 September 2007 (continued)

<i>Description</i>	<i>Number of shares</i>	<i>Recorded cost of investment</i>	<i>Fair market value *</i>	<i>% of each investment by industry</i>	<i>% to NAV</i>
<i>Plastic</i>					
Binh Minh Plastics Company	477,160	2,210,927	5,458,007	4.22	4.21
<i>Mining</i>					
Binh Dinh Minerals JSC	145,590	1,430,655	4,543,468	3.52	3.51
Binh Duong Mineral and Construction Company (Pre-listing)	470,765	763,830	763,830	0.59	0.59
Total	616,355	2,194,485	5,307,298	4.11	4.10
<i>Steel</i>					
SMC Investment Trading Joint Stock Company	150,000	153,674	550,168	0.43	0.42
Grand Total	18,248,403	44,950,474	129,227,220	100.00	99.78

* Fair market values for pre-listing securities represent their cost.

- (a) Includes rights to 1,319,920 shares fully paid for.
- (b) Includes rights to 23,000 shares fully paid for.
- (c) Includes rights to 275,450 shares not yet paid for.
- (d) Includes rights to 500,500 shares fully paid for.
- (e) Includes rights to 24,484 shares not yet paid for.
- (f) Includes rights to 244,856 shares fully paid for.
- (g) Includes rights to 19,050 shares fully paid for.

These rights have an aggregate fair market value of US\$5,889,551.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

4. INVESTMENT SECURITIES (continued)

30 September 2006

<i>Description</i>	<i>Number of shares</i>	<i>Recorded cost of investment</i>	<i>Fair market value *</i>	<i>% of each investment by industry</i>	<i>% to NAV</i>
<i>Construction & Materials</i>					
Hoa An Joint Stock Co	500,500	668,550	2,510,296	4.66	4.15
620 Chau Thoi Concrete Corp (b)	564,186	1,156,731	1,863,044	3.46	3.08
Nui Nho (Pre-listing) (e)	250,000	503,115	503,115	0.93	0.83
Total	1,314,686	2,328,396	4,876,455	9.05	8.06
<i>Finance</i>					
Saigon Thuong Tin Commercial Joint Stock Bank	1,161,800	5,467,885	5,103,234	9.47	8.44
<i>Property</i>					
Refrigeration Electrical Engineering Corporation	875,722	1,762,229	4,992,434	9.26	8.26
<i>Furniture</i>					
Saigon-Vientiane Export Import Co	550,900	1,191,760	1,575,471	2.92	2.61
<i>Garments</i>					
Binh Thanh Import & Export	455,000	948,395	1,530,841	2.84	2.53
Khanh Hoi Import Export Company (c)	36,478	49,091	64,774	0.12	0.11
Total	491,478	997,486	1,595,615	2.96	2.64
<i>Telecommunications</i>					
Cable & Telecommunications Materials Joint Stock Company	1,523,781	2,519,720	7,500,230	13.92	12.41
Vietnam Telecommunication Company	57,340	99,375	153,621	0.29	0.25
Total	1,581,121	2,619,095	7,653,851	14.21	12.66
<i>Logistics</i>					
General Forwarding and Agency Corp	908,885	1,720,980	5,011,609	9.30	8.29
Transforwarding Warehouse Corp	424,560	829,633	1,507,783	2.80	2.49
Hanoi Maritime Holdings Company	379,380	502,820	815,490	1.51	1.35
Total	1,712,825	3,053,433	7,334,882	13.61	12.13
<i>Pharmacy</i>					
Imexpharm (Pre-listing)	162,500	395,327	547,352	1.02	0.91
Mekophar (Pre-listing) (d)	100,000	424,922	424,922	0.79	0.70
Total	262,500	820,249	972,274	1.81	1.61
<i>Plastic</i>					
Binh Minh Plastics Company	127,160	296,883	625,897	1.16	1.04

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

4. INVESTMENT SECURITIES (continued)

30 September 2006 (continued)

<i>Description</i>	<i>Number of shares</i>	<i>Recorded cost of investment</i>	<i>Fair market value *</i>	<i>% of each investment by industry</i>	<i>% to NAV</i>
<i>Food and Beverage</i>					
An Giang Fisheries Import Export Company (a)	607,330	1,477,780	2,989,350	5.55	4.95
Vietnam Dairy Products Joint Stock Co (Vinamilk)	1,177,680	2,418,173	6,090,183	11.30	10.08
FIMEX (Unlisted)	55,000	2,211,838	2,211,838	4.10	3.66
Bien Hoa Confectionery Corp	852,000	982,922	1,964,112	3.65	3.25
Kinh Do Corporation	200,000	996,885	1,034,268	1.92	1.71
North Kinh Do Food Joint Stock	201,450	467,501	991,561	1.84	1.64
Interfood (Pre-listing)	55,264	139,451	139,451	0.26	0.23
Total	3,148,724	8,694,550	15,420,763	28.62	25.52
<i>Agriculture</i>					
Hoa Binh Rubber Company (Pre-listing)	15,000	333,819	333,819	0.62	0.55
Southern Seed Corporation	596,770	1,351,203	2,361,053	4.38	3.91
Total	611,770	1,685,022	2,694,872	5.00	4.46
<i>Mining</i>					
Binh Duong Mineral and Construction Company (Pre-listing)	470,765	765,543	765,543	1.42	1.27
<i>Steel</i>					
SMC Investment Trading Joint Stock Company (Pre-listing)	200,000	256,698	256,698	0.48	0.42
<i>Packaging</i>					
Tan Tien Packaging Company (Pre-listing)	1,895	16,958	16,958	0.03	0.03
Grand Total	12,511,346	29,956,187	53,884,947	100.00	89.15

* Fair market values for pre-listing securities represent their cost.

- (a) Includes rights to 101,221 shares fully paid for.
- (b) Includes rights to 141,046 shares fully paid for.
- (c) Includes rights to 12,159 shares fully paid for.
- (d) Includes rights to 100,000 shares acquired at an auction.
- (e) Includes rights to 250,000 shares acquired at an auction.

These rights have an aggregate fair market value of US\$619,657.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

5. SUNDRY DEBTORS

	2007 USD	2006 USD
Due from broker	156,968	-
Dividends receivable	120,456	2,582
Deposit to buy shares	93,248	38,943
Others	<u>792</u>	<u>-</u>
Total	<u>371,464</u>	<u>41,525</u>

6. ACCOUNTS PAYABLE AND ACCRUALS

This account comprises accruals mainly for management fees, professional fees and commission. These payables are non-interest-bearing and are normally settled on 30-day terms.

7. DUE TO BROKERS

This account represents the outstanding balances arising from the amounts due on the purchases of investments and trading securities contracted for but not yet delivered at the end of the year.

8. SHARE CAPITAL AND SHARE PREMIUM

	2007 USD	2006 USD
<i>Share capital</i>		
Authorized share capital, 12,000,000 ordinary shares (par value of USD0.05 per share)	<u>600,000</u>	<u>600,000</u>
Issued and fully paid, 11,999,999 ordinary shares at par value, net of currency translation differences	<u>590,073</u>	<u>591,397</u>
<i>Share premium</i>		
Share premium, net of transaction costs and currency translation differences	<u>33,417,549</u>	<u>33,492,504</u>

In March 2006, the Company issued additional 3,435,999 ordinary shares at USD4.0425 per share generating an additional total share capital of USD171,800 and share premium of USD13,718,232.

The ordinary shares constitute the only class of shares in the Company. All shares have the same rights, whether in regard to voting, dividends, return of share capital and otherwise. Each issued and fully paid ordinary share is entitled to dividends when declared and carries one voting right.

As at 30 September 2007, Citivic Nominees Limited (United Kingdom) and Clearstream Banking SA hold interest in 71.51% and 20.12%, respectively, of the Company's ordinary shares.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

9. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

	<i>2007</i> <i>USD</i>	<i>2006</i> <i>USD</i>
Net asset value	<u>129,514,655</u>	<u>60,435,432</u>
Net asset value per share	<u>10.793</u>	<u>5.036</u>
Net income after tax	<u>69,079,223</u>	<u>23,858,876</u>
Weighted average number of shares for earnings per share	<u>11,999,999</u>	<u>10,282,000</u>
Earnings per share	<u>5.757</u>	<u>2.320</u>

10. TAXATION

Under the current Cayman Islands law, no tax will be charged in the Cayman Islands on profits or gains of the Company, and dividends of the Company will be payable to shareholders resident in or outside the Cayman Islands without deduction of tax. No stamp duty is levied in the Cayman Islands on the transfer or redemption of shares of the Company. An annual registration fee will be payable by the Company, and is calculated by reference to the nominal amount of the Company's authorised share capital. On the basis of the current rate, that fee will be approximately USD 805 per annum.

Under the Vietnam law, according to Article 2.2, clause III of Circular 100/2004/TT-BTC dated 20 October 2004, the Company is subject to corporate income tax of 0.1% on the selling price of securities sold and is also subject to withholding tax of 10% on the interest received from cash deposits at domestic banks registered in Vietnam.

11. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Investment management agreement

The Fund is managed by PXP Vietnam Asset Management Limited, an investment management company incorporated in the British Virgin Islands, under the terms of the Management Agreement dated 19 June 2003. The Fund pays to the Investment Manager a monthly management fee which is equal to one-twelfth of two percent of the net asset value of the Fund, accrues daily, is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. The Investment Manager does not receive an incentive or performance fee. During the year, the Fund paid fees to the Investment Manager amounting to USD 2,113,289 (2006: USD 812,725).

Shares held by related parties

As at 30 September 2007, Mr. Markus Winkler, a Trust of which Philip Smiley's family are the principal beneficiaries, and the Investment Manager held 271,000 shares, 41,000 shares and 50,000 shares of the Company, respectively (2006: 206,256 shares, 41,000 shares and 1 share were held by Mr. Markus Winkler, Mr. Philip Smiley, and the Investment Manager, respectively).

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

11. RELATED PARTIES (continued)

Directors' remuneration

The Board currently has five directors all of whom are non-executive directors. No director is an employee of the Fund or the Investment Manager.

Total directors' remuneration amounted to USD50,030 in 2007 (2006: USD49,864).

There were no material contracts to which the Company and any director is a party as at balance sheet date.

12. RISKS MANAGEMENT

The Fund is exposed to a number of risks arising from the various equity instruments it holds. The directors believe that the Company's investment policy will moderate the risks through a careful selection of securities. The main risks to which the Fund is exposed are market risk, currency risk, credit risk, interest rate risk and liquidity/emerging market risk. The risk management policies employed by the Fund to manage these risks are discussed below:

Market risk

Market risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual asset or factors affecting all assets in the market. The Fund is exposed to market risk on all of its investments. In the case of its investments in listed companies, such market risk relates to the Vietnam Stock Exchange ("VSE") and other exchanges, if any, where those investments are listed. Furthermore, there is no certainty that the market price of the shares will fully reflect their underlying net asset value ("NAV"). This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the NAV may decrease.

The Fund's Investment Manager, PXP Vietnam Asset Management Limited, advises the Fund on which equity securities have prospects to appreciate in value in the medium and long terms. As more fully disclosed in Note 4 to the financial statements, the Fund tends to invest across a range of industry sectors. The current intention is to invest no more than 40% of its assets at the time of investment in any one sector.

The performance of investments held by the Fund is monitored by the Fund's Investment Manager on a daily basis and reviewed on a quarterly basis by the Board.

Currency risk

The NAV per share is expressed in USD and will fluctuate in accordance with, among other things, changes in the foreign exchange rate between the USD and the VND. Shareholders' investments in the Fund will be made in USD, and the Fund will have to convert such USD into VND prior to making investments. It will have to convert the VND back to USD prior to distributing any income and realisation proceeds from such investments. There can be no assurance that fluctuations in exchange rates will not have an adverse effect on (a) the NAV, or (b) the distributions received by shareholders in USD after conversion of the income and realisation proceeds from the Fund's VND denominated investments.

The Fund may seek to hedge against a decline in the value of the Fund's investments resulting from currency depreciation but only if and when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any hedging transactions engaged in by the Fund will be successful in protecting against currency depreciation. The Fund had no outstanding hedging instrument as at 30 September 2007.

The tables below summarise the Fund's exposure to currency risks as at 30 September 2007 and 2006. Included in the table are the Fund's assets and liabilities at fair values categorised by their base currencies.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

12. RISKS MANAGEMENT (continued)

Concentration of assets and liabilities

30 September 2007

	VND	USD	<i>Total in USD</i>
ASSETS			
Cash and bank balances	37,909	55,435	93,344
Financial assets at fair value	129,227,220	-	129,227,220
Sundry debtors	<u>371,464</u>	<u>-</u>	<u>371,464</u>
Total assets	<u><u>129,636,593</u></u>	<u><u>55,435</u></u>	<u><u>129,692,028</u></u>
LIABILITIES			
Accounts payable and accruals	<u>74,276</u>	<u>103,097</u>	<u>177,373</u>
Total liabilities	<u><u>74,276</u></u>	<u><u>103,097</u></u>	<u><u>177,373</u></u>
Net assets	<u><u>129,562,317</u></u>	<u><u>(47,662)</u></u>	<u><u>129,514,655</u></u>

30 September 2006

	VND	USD	<i>Total in USD</i>
ASSETS			
Cash and bank balances	1,295,472	5,897,873	7,193,345
Financial assets at fair value	53,884,947	-	53,884,947
Sundry debtors	<u>38,943</u>	<u>2,582</u>	<u>41,525</u>
Total assets	<u><u>55,219,362</u></u>	<u><u>5,900,455</u></u>	<u><u>61,119,817</u></u>
LIABILITIES			
Accounts payable and accruals	<u>542,629</u>	<u>141,756</u>	<u>684,385</u>
Total liabilities	<u><u>542,629</u></u>	<u><u>141,756</u></u>	<u><u>684,385</u></u>
Net assets	<u><u>54,676,733</u></u>	<u><u>5,758,699</u></u>	<u><u>60,435,432</u></u>

The VND exchange rate ruling as at 30 September 2007 was VND 16,086 to USD1 (30 September 2006: VND 16,016).

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

12. RISKS MANAGEMENT (continued)

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Fund. To the extent that the Fund is exposed to the credit of counterparty on an unsecured basis, it generally will not have a priority claim to any of the counterparty's assets upon a default. If the counterparty has secured creditors, the secured creditors will be entitled to repayment from the counterparty's assets in priority to the Fund. Moreover, the Fund may have to share the residual value of a defaulting counterparty's assets with other unsecured creditors. Consequently, there can be no assurance that the Fund would recover any of the amount owed to the Fund by a defaulting counterparty.

All investing transactions are settled by approved brokers upon delivery. The risk of default is considered minimal since delivery of securities sold and settlement are conducted simultaneously through centralised settlement procedures facilitated by the Bank of Investment and Development of Vietnam, a local bank.

As discussed under market risk, the Fund's market risk is spread across various industry sectors. In addition to this, the Fund will not invest more than 10% of its assets at the time of investment in the shares of a single issuer.

Interest rate risk

Interest rate risk is the risk that the value of interest-bearing assets will fluctuate as a result of changes in interest rates.

While the Fund seeks to optimise overall performance from the assets it holds, it does not seek to maximise interest income in view of its policy to focus on investments in equity securities that neither earn nor bear interest.

Liquidity risk/emerging market risks

The Fund has the ability to borrow in the short term up to 25% of its NAV to ensure settlement, although no such borrowings have arisen during the year.

It may be considerably more difficult for the Fund to exit its investments than it is for investors in more developed geographical regions. The VSE which only started operations in July 2000, may be less regulated than other regional stock exchanges, and may continue to exhibit limited liquidity. Trading on the VSE is subject to various restrictions. Nevertheless, the Fund intends to invest a majority of its assets in shares listed in the VSE.

In addition, the Company will endeavour to realise investments in pre-listing companies through listings on the VSE. However, few companies have listed shares on the VSE and there is no guarantee that the VSE will provide liquidity for the Company's investments in pre-listing companies.

The laws and regulations affecting the Vietnamese economy are in an early stage of development and are not well established. Although the legal system is improving as the Government appears to be continuing its legal reforms, there can be no assurance that the Fund will be able to obtain effective enforcement of its rights by legal proceedings in Vietnam, nor is there assurance that improvements will continue. It may be more difficult or expensive for the Fund to take appropriate legal actions in courts in the future under such conditions.

Vietnam's accounting, auditing and financial reporting standards, practices and disclosure requirements differ from those in more developed countries. The Company may therefore get less information about its investees in Vietnam than those in more developed countries. However, the Fund intends to make investments in pre-listing companies on the basis of the audited financial statements, and listed companies are all required to have audited financial statements. In addition, the investment manager intends to encourage management of investee companies to adopt international accounting standards and practices in order to improve the standing of their companies.

PXP Vietnam Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 30 September 2007

12. RISKS MANAGEMENT (continued)

Fair value of financial assets and liabilities

For certain of the Company's financial instruments not carried at fair value, their carrying amounts approximate fair value due to the short term nature of these financial instruments.

All financial assets and liabilities of the Fund are included in the balance sheet at fair value, except for investments in pre-listing companies which are substantially carried at cost, and sundry debtors and all liability accounts whose carrying amounts approximate fair value due to the short term nature of these financial instruments.

13. SIGNIFICANT AGREEMENTS

Custodian services

The Fund has engaged Deutsche Bank A.G, Hong Kong Branch, as custodian and Deutsche Bank A.G, Ho Chi Minh City Branch, as sub-custodian to provide custodian services. The fees are charged at 0.035% per annum of the value of the assets held by the Fund in Hong Kong. In addition, the Vietnam sub-custodian will receive an account maintenance fee of \$330 per month if it maintains one to five securities and \$550 per month if it maintains six to ten securities. During the year, total custodian fees arising from this agreement amounted to USD14,525 (2005: USD21,828).

Administrator and registrar services

The Bank of Bermuda (Cayman) Limited has been appointed as the administrator of the Company to provide a range of administrative and registrar services (including calculation of the net asset values) to the Company under the terms of the administration agreement. The administrator was paid an inception fee of USD15,000 after the closing date, and a fee of 0.135% of NAV per annum (subject to a minimum amount of USD1,800 per month) which shall be accrued daily and calculated as at each valuation date payable monthly in arrears. During the year, total administration expenses under this agreement amounted to USD149,764 (2006: USD58,984).

Secretarial services

CARD Corporate Services Ltd. has been appointed to provide company secretarial services for, and the registered office of, the Fund. The secretary will receive an annual fee of USD1,000 for providing certain company secretarial services to the Fund and an annual fee of USD1,350 for providing the Fund's registered office. In addition, the secretary is entitled to recover from the Fund all expenses and disbursements properly incurred or paid by the secretary on behalf of the Fund, or in the performance of its services under the secretarial services agreement. During the year, total secretarial expenses arising from this agreement amounted to USD1,351 (2006: USD3,361).

Management agreement

See Note 11 for discussion on the management agreement with PXP Vietnam Asset Management Limited.

14. EVENTS AFTER THE BALANCE SHEET DATE

Based on the Company's statement of net assets as at 21 January 2008, the net carrying value of the shares held by the Fund in equity securities of Vietnamese companies as at 30 September 2007 depreciated by about US\$28 million following a decrease in the respective market values of these shares.

15. APPROVAL OF FINANCIAL STATEMENTS

The Fund's financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 21 January 2008.