PXP VIETNAM FUND LTD

Annual report and audited financial statements
30 September 2008

PXP Vietnam Fund Limited

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PXP Vietnam Fund Limited

Management and administration
as at 30 September 2008

Directors

Philip Smiley
Christopher Vale
Antony Jordan
Markus Winkler
Urs Bolzern

Registered office

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British West Indies

Investment Manager

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PO Box 957
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Custodian

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Administrator

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Grand Cayman
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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

Special considerations and risk factors

The investment objective of the Company is 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.

Shareholders should be aware that the risks inherent in the investments of the Company in Vietnam are of a nature and degree not typically encountered when investing in securities of companies listed on the major securities markets. Such risks include, but are not limited to, political and economic risks in addition to the normal risks inherent in any equity investment. A full description of the risks involved in investment in the Company can be found in the Placing Memorandum.

Investment in the Company should be regarded as long-term in nature. There can be no guarantee that the Company's investment objectives will be achieved.

Shareholders should be aware that the value of the Company's shares and the income from them may fluctuate. In addition, there is no guarantee that the market prices of shares in closed-end funds will fully reflect their underlying Net Asset Value.

PXP Vietnam Fund Limited

Report of the Board of Directors
as at and for the year ended 30 September 2008

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 2008.

The Fund

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 2008 and results for the year

The balance sheet as at 30 September 2008 and the income statement for the year then ended and the notes thereto, are set out on pages 8 to 30. Net loss for the year ended 30 September 2008 was USD77,113,200 (2007 net income: USD69,079,223).

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 three 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 (not reappointed on 30 May 2008)
Antony Jordan	Member
Markus Winkler	Member
Urs Bolzern	Member (appointed on 30 May 2008)

Directors' interests

As at 30 September 2008, Markus Winkler, a Trust of which Philip Smiley's family are the principal beneficiaries, and Urs Bolzern held 271,000 shares, 41,000 shares and 32,000 shares of the Company, respectively (30 September 2007: 271,000 shares and 41,000 shares were held by Markus Winkler and a Trust of which Philip Smiley's family are the principal beneficiaries, respectively).

Auditors

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

Report of the Board of Directors (continued)
as at and for the year ended 30 September 2008

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 are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and that enable financial statements to be prepared that comply with International Financial Reporting Standards. 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.

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

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 2008, 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
19 December 2008

PXP VIETNAM ASSET MANAGEMENT

Investment manager's report
as at and for the year ended 30 September 2008

Review of the year

During the period under review the Company's NAV per share decreased by 60.74% from USD 10.793 to USD 4.237. This compares with a fall in the Viet Nam Index ("VNI") of 57.73% in USD terms over the same period. The Vietnamese Dong ("VND") depreciated by 3.2% over the period under review.

Longer term the comparatives are more favourable from the Company's perspective, with the NAV per share down 15.87% against a VNI loss of 16.17% in USD terms over two years and up 59.95% compared to a VNI increase of 51.12% in USD terms over three years.

Stock market

The Financial Year Ended 30 September 2008 provided a salutary reminder of the risks inherent in investing in frontier markets. Following two impressive years of both absolute and relative performance, contributing to an increase in the Company's NAV per share at its peak to more than 4.4 times the original subscription price (from USD 2.50 to over USD 11) in the first 3 ½ years of its existence, the liquidity and market expansion-driven euphoria evaporated in the first quarter of calendar 2008 after a moderate pull-back in the previous quarter, the first of the Company's financial year, prior to the introduction of restrictions on the provision of stock margin financing loans by domestic banks on 1 January 2008.

The Viet Nam Index fell off a metaphorical cliff in the first quarter of 2008 as severely curtailed domestic liquidity and overly-optimistic pricing contributed to the failure of the equitisation (privatisation) process. This, combined with growing concerns about the health of the domestic economy as the rate of Consumer Price Index ("CPI") inflation spiked well above 20% on sharp increases in food and oil prices and the trade deficit showed signs of spiralling out of control, resulted in a 44.25% index retracement by the end of March 2008. The severe weakness continued into the second quarter of the calendar year as various international investment banks extrapolated the economic difficulties into a full scale meltdown, with the result that by 20 June 2008 the index had fallen to 366.02 points, a decline of 60.5% in less than six months and of 65% for the Company's financial year to date.

A typical emerging market trend reversal began on the following day as the second gradual re-widening of the daily trading bands (which had been reduced from 5% to 1% in Ho Chi Minh City and from 10% to 2% in Hanoi at the end of March 2009 in an attempt to stave off the panic evident at the time) coincided with a dawning realisation that the government was able and willing to take whatever monetary policy steps were necessary to protect the economy, which was showing early signs of not being in as bad shape as certain foreign experts had suggested in any event. As a result, the index surged by 53.5% to 561.85 on more positive sentiment in a shade over two months to the end of August 2008 and had moved into a consolidation phase in early September when the collapse of Lehman Brothers brought the global economy's problems into sharp focus and Vietnam's local considerations were swept away by more far-reaching concerns.

The Company's NAV finished the Financial Year down almost 61% as previously reported, with the Viet Nam Index down 56.4% in local currency terms at 456.70. The global woes did not end there unfortunately and the index fell by a further 32.7% in local currency in the final quarter of calendar 2008 to 19 December 2008 (date of this report) to complete a most depressing 15 months.

Economy

The Vietnamese economy continued to grow, albeit at a slower pace during 2008. The Real Gross Domestic Product ("GDP") rate of growth in 2008 was 6.23%, after 8.48% in 2007 and will struggle to reach a similar pace of expansion in 2009 with 4.5 to 5% more realistic than the government's current target close to 6%. Nominal GDP increased to USD 88.2 billion from USD 71.0 billion at the end of 2007. Much of this was once again due to the continuing strength of the key economic drivers; rising exports, domestic demand and foreign direct investment ("FDI").

Trade continued to expand as exports increased by 29.5% for FY 2008, although the strength of imports (up 28.3% on 2007) blew the trade deficit out to USD 17.5 billion, an unsustainable (if one targets a stable currency) 19.8% of total GDP. The rate of increase of the deficit slowed dramatically toward the end of 2008 as the impact of the global economic slowdown impacted oil and commodity prices. A domestic oversupply of steel also removes an important contributor to the deficit at least until infrastructure spending and a resumption of construction activity erodes inventories.

Economy (continued)

Inflation was the other main area of concern during 2008 with food prices (which comprise nearly 43% of the CPI basket) and crude oil prices the major contributors to a full year increase of 23% on 2007 prices, the year-on-year rate having peaked at nearly 27% mid-year. The prices of both main CPI-blowout culprits had retraced so sharply by year-end that a couple of months of deflation inspired some commentators (perhaps over-optimistically) to predict a return to single-digit inflation in 2009. Certainly the number will be eminently more benign barring further catastrophe. It should be noted that Vietnam suffered this extreme headline number due to the consistent composition of the CPI basket over the years; it is fair to say that a lot of countries both emerging and developed are not shy about rebalancing when they see bad news on the horizon.

Retail sales continued strong in 2008, although with inflation where it was, not all of the 30.1% improvement was a direct consequence of increased affluence. Industrial production growth slowed somewhat on previous years, most markedly in the state sector where output increased by only 4%. The overall figure was boosted to 14.6% with the private and foreign invested sectors both improving by over 18.5%.

New Foreign Direct Investment commitments more than trebled to USD 60.3 billion although the global slowdown is likely to severely test the strength of those commitments and a large number of projects by value, particularly in the steel production sector, are likely to fall by the wayside. Disbursements managed a more modest 43% increase to USD 11.5 billion.

The currency weakened by 5.95% over the calendar year up to 19 December 2008 and the government is likely to continue with its exchange rate management policy in 2009 as it seeks to assist exporters.

All in all, a difficult year for the economy with evidence of over-heating in the first half of 2008 mitigated to some extent by pragmatic policy adjustments but more dramatically in the second half in the main areas of weakness by the global slowdown.

Strategy

The market shake-out has created some interesting opportunities in the listed market with valuations pulling back to levels not seen since before the market achieved sufficient scale to attract broad international interest around three years ago. Given that the majority of the companies now listed had not joined the bourse at that stage this would naturally tend to imply that a large number of the currently listed companies have never previously traded on such low multiples. Whilst initial results for 2008 are suggesting that the year was not as bad as had been feared we await audited detail in order to obtain a level of comfort regarding investment portfolios and once we are able to confidently forecast performance in the coming year will undergo a systematic reweighting and realignment of the Company's holdings in order to best position the portfolio for the next move up, whilst attempting to mitigate any further weakness through the inclusion of defensive plays.

Outlook

Calendar 2009 will undoubtedly be a difficult year for the global economy and Vietnam will need to be ready to respond to the challenges ahead, particularly in relation to two of the economy's main drivers; those of Foreign Direct Investment and export growth. Given the need for extensive infrastructure expenditure over the coming decade, however, the Vietnamese government may decide to compensate for the external slowdown through domestic stimulus of the economy beyond interest rate and exchange rate management which will be of obvious and critical long-term benefit to transportation networks and power generation capacity at least.

The principal risks facing the Company, in addition to the traditional risks and high degree of volatility associated with investing in frontier markets, arise from the uncertainties over the depth and duration of the global slowdown and over the efficacy of Vietnamese government actions to alleviate the negative impacts on the domestic economy during this challenging period.

We anticipate an uninspiring first half of 2009 after falls in USD terms of 29.2% and 34.2% for the Company's Net Asset Value per share and the VNI respectively during the first quarter of the Company's financial year ending 30 September 2009 (as at 19 December 2008), but are optimistic that a more hopeful long-term macro-economic outlook will prevail by the third quarter of 2009 and that, combined with a sensibly pitched resumption of the equitisation process should ensure a renewal of interest in the latter part of the year and we expect the index to rally above 400 by the end of 2009 with more compelling gains likely in 2010.

On behalf of the Investment Manager:

Kevin Snowball
Ho Chi Minh City, 19 December 2008

Ernst & Young Vietnam Limited
8th Floor 2A-4A Ton Duc Thang Street
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Independent auditors' report
on the financial statements of PXP Vietnam Fund Limited
as at and for the year ended 30 September 2008

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 2008 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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

19 December 2008

PXP Vietnam Fund Limited

Balance sheet
as at 30 September 2008

	Notes	2008 USD	2007 USD
Assets			
Cash and cash equivalents	3	659,000	93,344
Investment securities	4	50,432,555	129,227,220
Sundry debtors	5	10,123	371,464
Total assets		51,101,678	129,692,028
Liabilities			
Accounts payable and accruals	6	104,986	103,830
Withholding tax payable		2,830	2,487
Due to brokers	7	144,729	71,056
Total liabilities		252,545	177,373
Net assets		50,849,133	129,514,655
Equity			
Issued capital	8	571,802	590,073
Share premium	8	32,382,813	33,417,549
Retained earnings		17,763,251	94,876,451
Cumulative translation reserve		131,267	630,582
Total shareholders' equity		50,849,133	129,514,655
Net asset value per share	9	4.237	10.793

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

PXP Vietnam Fund Limited

Income statement
for the year ended 30 September 2008

	Notes	2008 USD	2007 USD
Income			
Net (loss) gain on investment securities	4	(76,563,609)	70,227,797
Dividend income		1,512,744	1,254,673
Interest income		18,771	73,855
Unrealised gain on foreign exchange		-	4,564
Total investment (loss) income		(75,032,094)	71,560,889
Operating expenses			
Management fee	11	1,715,273	2,113,289
Administration expenses	13	108,148	149,764
Directors' fees	11	50,412	50,030
Professional and consultant fees		45,338	48,662
Commission		47,298	44,241
Custodian fee	13	15,698	14,525
Insurance fees		18,479	-
Realised loss on foreign exchange		75,776	27,705
Other expenses		4,684	33,450
Total operating expenses		2,081,106	2,481,666
Net (loss) income before tax		(77,113,200)	69,079,223
Income tax expense	10	-	-
Net (loss) income after tax		(77,113,200)	69,079,223
(Losses) earnings per share	9	(6.426)	5.757

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 2008

	Issued capital USD	*Share premium USD*	*Retained earnings USD*	*Cumulative translation reserve USD*	*Total USD*
At 30 September 2007	590,073	33,417,549	94,876,451	630,582	129,514,655
Net loss for the year	-	-	(77,113,200)	-	(77,113,200)
Currency translation differences	(18,271)	(1,034,736)	-	(499,315)	(1,552,322)
At 30 September 2008	571,802	32,382,813	17,763,251	131,267	50,849,133
At 30 September 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	(1,324)	(74,955)	(85,324)	161,603	-
At 30 September 2007	590,073	33,417,549	94,876,451	630,582	129,514,655

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 2008

	Notes	2008 USD	2007 USD
Cash flows from operating activities			
Proceeds from sales of investment securities		13,755,817	14,099,796
Dividends received		1,633,199	1,173,159
Interest received		19,114	76,437
Purchases of investment securities		(12,816,309)	(19,391,103)
Payments to investment manager, administrator and suppliers		(2,117,252)	(2,963,461)
Return (payment) of deposit to buy shares		93,249	(94,829)
Net cash flows generated from (used in) operating activities		567,818	(7,100,001)
Net increase (decrease) in cash and cash equivalents		567,818	(7,100,001)
Cash and cash equivalents at beginning of the year		93,344	7,193,345
Effects of exchange rate changes on cash and cash equivalents		(2,162)	-
Cash and cash equivalents at end of the year	3	659,000	93,344

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

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 of 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 realised 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 authorised shares have been fully subscribed and issued. As at 30 September 2008, 11,999,999 authorised 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.

2.2 Changes in accounting policies

New standard and amendment to a standard that have been applied from 1 October 2007

The accounting policies adopted are consistent with those of the previous financial year, with the addition of the following new standard and amendment to a standard that have been applied from 1 October 2007. The new standard and amendment to a standard require certain additional disclosures and do not have an impact on the recognition or measurement of assets, liabilities, equity or income statement amounts in these financial statements.

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 main impact of this new standard can be seen in the extra disclosures included in Note 12 to these financial statements.

IAS 1 Amendment - Presentation of Financial Statements - Capital Disclosures

The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The amendment is effective for financial years beginning on or after 1 January 2007. The additional disclosures are included in Note 8 to these financial statements.

New amendment and interpretations to standards that are not currently relevant for the Company

The following new amendment and interpretations to standards are effective for the first time for the financial year beginning 1 October 2007 but are not currently relevant for the Company.

Amendments to IAS 39 – Financial Instruments: Recognition and Measurement; and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendment to IAS 39 and IFRS 7 allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. Various disclosures are required where a reclassification has been made. This amendment was issued in October 2008 in response to the credit crunch and has an effective date of 1 July 2008. The investment securities held by the Company are designated as 'at fair value through profit or loss' under the fair value option, and therefore are not eligible for this reclassification.

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.

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.

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.

2.3 Summary of significant accounting policies (continued)

Investment securities and other financial assets (continued)

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 classifies 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, except for those investments whose fair value cannot be reliably measured. 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 their 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 financial assets at fair value are initially recognised at fair value. After initial recognition, financial assets at fair value are measured at fair value with gains or losses being recognised in profit or loss.

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.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Valuation techniques include the use of earnings multiples, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Financial assets at cost

Investment securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. After initial measurement, such investment securities are carried at cost less any impairment.

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.

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 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 current market rate of return for a similar financial asset. The amount of the loss shall be recognised in profit or loss. Such impairment losses are not reversed.

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. 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.

2.3 Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities include accounts payable and accruals, tax payable and amounts 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.

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.

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.

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.

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.

2.3 Summary of significant accounting policies (continued)

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange 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 IFRS, amendments and IFRIC interpretations that have been issued but are not yet effective:

IFRS 1 Amendment - First time adoption of IFRS; and IAS 27 Amendment - Consolidated and separate financial statements

This amendment to IFRS 1 First time adoption of IFRS and IAS 27 Consolidated and separate financial statements was published in May 2008 and becomes effective for financial years beginning on or after 1 January 2009. The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. These amendments are not relevant to the Company as it is not a first-time adopter of IFRS.

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.

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, and introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together will 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.

2.4 Future changes in accounting policies (continued)

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.

IAS 32 Amendment - Financial instruments: Presentation; and IAS 1 Amendment - Presentation of financial statements - Puttable financial instruments and obligations arising on liquidation

This amendment to IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements was published in February 2008 and becomes effective for financial years beginning on or after 1 January 2009. The amendment requires entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:

- Puttable financial instruments (for example, some shares issued by co-operative entities and some partnership interests).

- Instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a *pro rata* share of the net assets of the entity only on liquidation (for example, some shares issued by limited life entities.

This amendment is currently not relevant to the Company, as the Company does not have any puttable instruments or any such obligations arising on liquidation.

IAS 39 Amendment - Financial Instruments: Recognition and measurement on eligible hedged items

This amendment to IAS 39, Financial Instruments: Recognition and measurement was published in July 2008 and becomes effective for financial years beginning on or after 1 July 2009. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. This amendment is currently not relevant to the Company, as the Company does not apply hedge accounting as described in IAS 39.

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.

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.

IFRIC 15 - Agreements for construction of real estates

IFRIC Interpretation 15 was issued in July 2008 and becomes effective for annual periods beginning on or after 1 January 2009. This interpretation does not apply to the activities of the Company.

IFRIC 16, Hedges of a net investment in a foreign operation

IFRIC Interpretation 16 was issued in July 2008 and becomes effective for annual periods beginning on or after 1 October 2008. This interpretation does not apply to the activities of the Company.

Notes to the financial statements (continued)
as at and for the year ended 30 September 2008

3. Cash and cash equivalents

The details of cash and cash equivalents are as follows:

	2008 USD	2007 USD
Current accounts		
In VND	370,510	37,909
In USD	288,490	55,435
Total	659,000	93,344

4. Investment securities

	2008 USD	2007 USD
Listed securities		
At cost	44,825,545	40,457,003
Net unrealised gains arising from changes in the fair values of financial assets	1,294,759	84,276,746
	46,120,304	124,733,749
Pre-listing securities		
At cost	4,305,966	4,493,471
Net unrealised gains arising from changes in the fair values of financial assets	6,285	-
	4,312,251	4,493,471
Total	50,432,555	129,227,220

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

Movements in investment securities in the year:

	2008 USD	2007 USD
Opening balance	129,227,220	53,884,947
Purchases	12,889,892	19,426,522
Sales	(17,496,607)	(8,028,727)
Net unrealised (losses) gains arising from changes in the fair values of financial assets	(72,665,850)	63,944,478
Difference arising on translation to presentation currency	(1,522,100)	-
Closing balance	50,432,555	129,227,220

4. Investment securities (continued)

Net (losses) gains arising from changes in the fair values of financial assets in the year:

	2008 USD	2007 USD
Realised (losses) gains on sales of investments	(3,897,759)	6,283,319
Unrealised (losses) gains	(72,665,850)	63,944,478
	(76,563,609)	70,227,797

Net (losses) gains arising from changes in the fair values of financial assets as presented above is calculated with reference to the fair values of investment securities held at the start of the year and the costs of investment securities purchased during the year.

Net realised gains on sales of investment securities with reference to the initial costs of the investment securities is as follows:

	2008 USD	2007 USD
Realised gains on sales of investments	6,349,415	9,930,664

The details of 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 2008

Description *(Note "JSC" is "Joint Stock Company")*	***Number of shares***	***Recorded cost of investment USD***	***Fair market value USD***	***% of each investment by industry***	***% to NAV***
Agriculture					
Hoa Binh Rubber JSC	270,000	322,759	821,386	1.63	1.62
Petro Vietnam Fertilizer and Chemicals JSC	350,000	1,081,025	1,265,061	2.51	2.49
Dong Phu Rubber JSC	266,840	882,617	996,632	1.98	1.96
Techno Agricultural Supplying JSC	50,000	206,325	183,735	0.36	0.36
Southern Seed Corporation	754,830	1,032,788	1,123,151	2.23	2.21
Total	**1,691,670**	**3,525,514**	**4,389,965**	**8.71**	**8.64**
Construction & Materials					
Hoa An JSC	540,280	947,621	742,072	1.47	1.46
Hoa Phat Group JSC	280,000	897,591	944,579	1.87	1.86
Nui Nho JSC (Pre-listing)	250,000	486,446	1,043,805	2.07	2.05
Total	**1,070,280**	**2,331,658**	**2,730,456**	**5.41**	**5.37**
Finance					
Bao Viet JS Securities Company	40,698	125,281	118,907	0.24	0.23
Vietcombank (Pre-listing)	240,000	1,496,386	520,876	1.03	1.02
Saigon Thuong Tin Commercial Joint Stock Bank	3,252,463	6,766,882	4,663,173	9.25	9.17
Total	**3,533,161**	**8,388,549**	**5,302,956**	**10.52**	**10.42**

4. Investment securities (continued)

30 September 2008 (continued)

Description	*Number of shares*	*Recorded cost of investment USD*	*Fair market value USD*	*% of each investment by industry*	*% to NAV*
Property					
Refrigeration Electrical Engineering Corporation	2,133,310	2,608,915	5,127,658	10.17	10.09
Sao Mai Construction Corporation (Pre-listing)	194,600	1,172,110	900,574	1.79	1.77
Song Da Urban and Industrial Zone Investment and Development JSC	150,000	927,711	885,543	1.76	1.74
Total	**2,477,910**	**4,708,736**	**6,913,775**	**13.72**	**13.60**
Garments					
Binh Thanh Import, Export, Production and Trade JSC	**1,001,000**	**1,881,792**	**1,115,573**	**2.21**	**2.19**
Oil & gas services					
Petrovietnam Drilling and Well Services JSC	**472,568**	**3,311,515**	**2,789,861**	**5.53**	**5.49**
Furniture					
Savimex Corporation	**826,350**	**1,616,889**	**751,680**	**1.49**	**1.48**
Telecommunications					
Cable & Telecommunications Materials JSC	**1,494,264**	**1,909,104**	**1,962,348**	**3.89**	**3.86**
Logistics					
General Forwarding and Agency Corporation	1,020,215	3,108,453	3,288,044	6.52	6.47
Transforwarding Warehouse Corporation	521,004	946,710	1,252,293	2.48	2.46
Vietnam Container Shipping JSC	90,000	321,536	401,205	0.80	0.79
Hanoi Maritime Holdings Company	115,744	119,729	90,643	0.18	0.18
Total	**1,746,963**	**4,496,428**	**5,032,185**	**9.98**	**9.90**
Pharmacy					
Imexpharm Pharmaceutical JSC	209,630	529,476	1,136,549	2.25	2.24
Cuu Long Pharmaceutical JSC	79,460	289,919	282,418	0.56	0.56
Mekophar (Pre-listing)	110,000	410,844	593,015	1.18	1.17
Total	**399,090**	**1,230,239**	**2,011,982**	**3.99**	**3.97**

4. Investment securities (continued)

30 September 2008 (continued)

Description	*Number of shares*	*Recorded cost of investment USD*	*Fair market value USD*	*% of each investment by industry*	*% to NAV*
Food and Beverage					
An Giang Fisheries Import Export Co	909,108	2,465,062	1,352,710	2.68	2.66
Interfood Shareholding Company	25,636	52,845	19,613	0.04	0.04
Vietnam Dairy Products JSC (Vinamilk)	1,202,370	2,307,898	6,555,093	13.00	12.89
Bien Hoa Confectionery Corporation	379,109	356,194	518,420	1.03	1.02
Kinh Do Corporation	442,921	1,514,011	1,427,487	2.83	2.81
North Kinh Do Food JSC	294,922	452,012	932,736	1.85	1.83
Nam Viet JSC	400,000	2,409,640	1,053,013	2.09	2.07
Sao Ta Foods JSC	323,360	1,093,317	278,557	0.55	0.55
Cuulong Fish JSC	162,180	497,394	395,680	0.78	0.78
Ben Tre Aquaproduct Import and Export JSC	44,852	165,975	94,838	0.19	0.19
Tuong An Vegetable Oil JSC	25,000	88,102	78,313	0.16	0.15
Total	**4,209,458**	**11,402,450**	**12,706,460**	**25.20**	**24.99**
Plastic					
Binh Minh Plastics JSC	**572,592**	**2,142,469**	**1,672,935**	**3.32**	**3.29**
Mining					
Binh Dinh Minerals JSC	150,000	773,547	1,057,230	2.10	2.08
Binh Duong Mineral and Construction Company (Pre-listing)	470,765	740,179	1,253,980	2.49	2.47
Total	**620,765**	**1,513,726**	**2,311,210**	**4.59**	**4.55**
Steel					
SMC Trading Investment JSC	**403,390**	**672,442**	**741,169**	**1.47**	**1.46**
Grand Total	**20,519,461**	**49,131,511**	**50,432,555**	**100.00**	**99.21**

4. Investment securities (continued)

30 September 2007

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

4. Investment securities (continued)

30 September 2007 (continued)

Description	*Number of shares*	*Recorded cost of investment USD*	*Fair market value USD*	*% of each investment by industry*	*% to NAV*
Furniture					
Saigon-Vientiane Export Import Co.	**826,350**	**1,668,553**	**3,133,618**	**2.42**	**2.42**
Telecommunications					
Cable & Telecommunications Materials JSC	**1,469,137**	**2,324,371**	**14,338,845**	**11.10**	**11.07**
Logistics					
General Forwarding and Agency Corporation	1,020,215	3,207,776	9,006,007	6.97	6.95
Transforwarding Warehouse Corporation	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**	**9.46**	**9.43**
Pharmacy					
Imexpharm Pharmaceutical JSC (Note (b))	209,630	546,394	2,072,062	1.60	1.60
Mekophar (Pre-listing) (Note (a))	100,000	423,971	423,971	0.33	0.33
Total	**309,630**	**970,365**	**2,496,033**	**1.93**	**1.93**
Food and Beverage					
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 JSC (Vinamilk)	1,236,560	2,449,364	13,990,679	10.83	10.80
Bien Hoa Confectionery Corporation	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 JSC	241,740	466,455	3,486,492	2.70	2.69
Nam Viet JSC (Pre-listing) (Note (a))	400,000	2,486,637	2,486,638	1.92	1.92
Sao Ta Foods JSC	586,500	2,046,387	2,114,697	1.64	1.64
Cuulong Fish JSC	180,000	574,409	984,708	0.76	0.76
Ben Tre Aquaproduct Import and Export JSC	18,048	93,497	117,807	0.09	0.09
Vinh Hoan Co. (Pre-listing) (Note (a))	100,000	317,046	317,046	0.25	0.24
Total	**4,532,412**	**13,265,959**	**38,646,231**	**29.91**	**29.83**

4. Investment securities (continued)

30 September 2007 (continued)

Description	*Number of shares*	*Recorded cost of investment USD*	*Fair market value USD*	*% of each investment by industry*	*% to NAV*
Plastic					
Binh Minh Plastics JSC	**477,160**	**2,210,927**	**5,458,007**	**4.22**	**4.21**
Mining					
Binh Dinh Minerals JSC	145,590	1,430,655	4,543,468	3.52	3.51
Binh Duong Mineral and Construction Company (Pre-listing) (Note (a))	470,765	763,830	763,830	0.59	0.59
Total	**616,355**	**2,194,485**	**5,307,298**	**4.11**	**4.10**
Steel					
SMC Trading Investment JSC	**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**

(a) These investments were carried at cost, as quoted prices were not available in an active market at the balance sheet date and valuation methods resulted in a wide range of possible values.

(b) Includes rights to 19,050 shares not yet paid for, with a fair market value of USD71,056.

5. Sundry debtors

	2008 USD	*2007 USD*
Due from broker	-	156,968
Dividends receivable	-	120,456
Deposit to buy shares	-	93,248
Prepayments	10,031	789
Others	92	3
Total	10,123	371,464

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

	2008 USD	2007 USD
Share capital		
Authorised share capital, 12,000,000 ordinary shares (par value of USD0.05 per share)	600,000	600,000
Issued and fully paid, 11,999,999 ordinary shares at par value, net of currency translation differences	571,802	590,073
Share premium		
Share premium, net of transaction costs and currency translation differences	32,382,813	33,417,549

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 2008, Citivic Nominees Limited (United Kingdom) and Clearstream Banking SA hold interest in 71.51% (2007: 71.51%) and 20.17% (2007: 20.12%), respectively, of the Company's ordinary shares.

The Company does not have any externally imposed capital requirements. The Company endeavours to invest the proceeds from the issue of ordinary shares in appropriate investments in line with the Company's investment policy and to maximise the long-term returns to its shareholders. The Company is not legally bound to accommodate redemption requests by investors in the Company.

9. Net asset value per share and earnings per share

	2008 USD	2007 USD
Net asset value	50,849,133	129,514,655
Net asset value per share	4.237	10.793
Net (loss) income after tax	(77,113,200)	69,079,223
Weighted average number of shares for earnings per share	11,999,999	11,999,999
(Losses) Earnings per share	(6.426)	5.757

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 USD805 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 USD1,715,273 (2007: USD2,113,289).

Shares held by related parties

As at 30 September 2008, Markus Winkler, a Trust of which Philip Smiley's family are the principal beneficiaries, Urs Bolzern and the Investment Manager held 271,000 shares, 41,000 shares, 32,000 shares and 55,000 shares of the Company, respectively (2007: 271,000 shares, 41,000 shares and 50,000 shares were held by Markus Winkler, a Trust of which Philip Smiley's family are the principal beneficiaries, and the Investment Manager, respectively).

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 USD50,412 in the year ended 30 September 2008 (2007: USD50,030).

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 Fund'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 Hanoi Securities Trading Centre and Ho Chi Minh Stock Exchange ("the Exchanges") 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, provides a continuous investment programme for the Fund's assets, including seeking suitable investments for the Fund, advice and support in relation to the development of investments held by the Fund, determining the appropriate time for the disposal of its investments, and the provision of investment research and advice with respect to all securities and investments and cash equivalents comprised in the Fund's assets.

The performance of investments held by the Fund is monitored closely by the Fund's Investment Manager. In monitoring the investments, the Investment Manager reviews all relevant financial statements and maintains contact to the extent possible with the Board and management of the investee companies. 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.

Sensitivity analysis

Since most of the Fund's investments are listed on either the Hanoi Securities Trading Centre or Ho Chi Minh Stock Exchange, the value of the Fund's portfolio may change due to movements in the VN-Index ("VNI"). As at 30 September 2008, had the VNI risen by 30%, with all other variables held constant, it is estimated that net profit and net assets would have increased by USD15,129,766 (30 September 2007: USD38,768,166). A 30% drop of the VNI would have resulted in an equal but opposite effect on net profit and net assets.

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 2008.

All of the Fund's investments are denominated in VND and pay dividends in VND. The Fund will need to convert VND to USD to make distributions to shareholders, but the VND currently is not a freely convertible currency. The Vietnamese Government does not guarantee that hard currency will be made available to the Fund or that the Fund will receive any priority if there is any shortage of hard currency.

12. Risks management (continued)

Currency risk (continued)

With respect to sales of investments in pre-listing companies, the Prime Minister's Decision No. 36/2003/QD-TTg provides that foreign investors can convert income and realisation proceeds into hard currency and remit them overseas upon the fulfilment of all tax obligations in accordance with Vietnamese law. However, in the absence of any regulations implementing the provisions of Decision No. 36, especially regulations in respect of the requirements to demonstrate the fulfilment of all tax obligations, the mechanics of conversion will depend on the State Bank of Vietnam's regulations. For investments in pre-listing companies, relevant regulations are either not yet in existence or are currently not clear. Until the State Bank of Vietnam issues clear procedures for conversion of VND into foreign currencies by an offshore investment fund, it is possible that the Fund may have difficulty accomplishing such conversion. This may include the need to obtain special approval, and such approval may not be received quickly or at all. Any delay in conversion increases the Fund's exposure to depreciation of the VND against other currencies. If conversion is not effected at all, some of the Fund's assets may be denominated in a non-convertible currency.

The tables below summarise the Fund's exposure to currency risks as at 30 September 2008 and 2007. Included in the table are the Fund's assets and liabilities at fair values categorised by their base currencies.

Concentration of assets and liabilities

30 September 2008

	VND	*USD*	*Total in USD*
Assets			
Cash and bank balances	370,510	288,490	659,000
Financial assets at fair value	50,432,555	-	50,432,555
Sundry debtors	10,123	-	10,123
Total assets	50,813,188	288,490	51,101,678
Liabilities			
Accounts payable and accruals	147,777	104,768	252,545
Total liabilities	147,777	104,768	252,545
Net assets	50,665,411	183,722	50,849,133

30 September 2007

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

The VND exchange rate ruling as at 30 September 2008 was VND16,600 to USD1 (30 September 2007: VND16,086).

12. Risks management (continued)

Currency risk (continued)

Sensitivity analysis

All of the Fund's investments are denominated in VND while its presentation currency is USD. The Fund's receivables and a portion of cash and cash equivalents as at 30 September 2008 were also denominated in VND. As at 30 September 2008, had the USD weakened by 5% in relation to the VND, with all other variables held constant, net assets would have risen by USD2,533,271 (30 September 2007: USD6,478,116). A 5% strengthening of the USD against the VND would have resulted in an equal but opposite effect on net assets.

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 a 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.

As the majority of the Fund's financial assets are non-interest bearing, the Fund is not subject to a significant amount of risk due to fluctuations in the prevailing level of market interest rates.

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 Ho Chi Minh Stock Exchange and Hanoi Securities Trading Centre only commenced operations in July 2000 and August 2005, respectively, and may be more regulated than other regional stock exchanges, and may continue to exhibit limited liquidity.

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

12. Risks management (continued)

Liquidity risk/emerging market risks (continued)

Vietnam's accounting, auditing and financial reporting standards, practices and disclosure requirements differ from those in more developed countries. The Fund 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 encourages management of investee companies to adopt international accounting standards and practices in order to improve the standing of their companies.

Fair value of financial assets and liabilities

All financial assets and liabilities of the Fund are included in the balance sheet at fair value, except for 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 USD330 per month if it maintains one to five securities and USD550 per month if it maintains six to ten securities. During the year, total custodian fees arising from this agreement amounted to USD15,698 (2007: USD14,525).

Administrator and registrar services

The Bank of Bermuda (Cayman) Limited has been appointed as the administrator of the Fund to provide a range of administrative and registrar services (including calculation of the net asset values) to the Fund 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 is accrued daily and calculated as at each valuation date payable monthly in arrears. During the year, total administration expenses under this agreement amounted to USD108,148 (2007: USD149,764).

Secretarial services

CARD Corporate Services Ltd. has been appointed to provide company secretarial services for, and the registered office of, the Fund. The secretary receives 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 USD3,225 (2007: USD1,351).

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 19 December 2008, the net asset value of the Fund depreciated by USD14,863,350 in comparison to the net asset value of the Fund as at 30 September 2008, mostly due to decreases in the market values of the investment securities held by the Fund and also impacted by a 2.3% depreciation in VND against USD over this period.

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 19 December 2008.