

Vietnam Emerging Equity Fund Limited

Annual Report

For the year ended 31 December 2007

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Vietnam Emerging Equity Fund Limited

MANAGEMENT AND ADMINISTRATION
as at 31 December 2007

DIRECTORS

Philip Smiley, Chairman
Stanley Chou
Gregory Hazlett
Antony Jordan
Christopher Vale

REGISTERED OFFICE

Vietnam Emerging Equity Fund Limited
CARD Corporate Services Ltd.
Fourth 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

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

VIETNAM SUB-CUSTODIAN

The Hong Kong and Shanghai Banking Corporation Limited
The Metropolitan, 235 Dong Khoi Street
District 1, Ho Chi Minh City
Vietnam

ADMINISTRATOR AND REGISTRAR

HSBC Trustee (Cayman) Limited
2nd Floor, Strathvale House
North Church Street
George Town, Grand Cayman
Cayman Islands, British West Indies

ADMINISTRATOR'S AND REGISTRAR'S SERVICE PROVIDER

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

Vietnam Emerging Equity Fund Limited

MANAGEMENT AND ADMINISTRATION
as at 31 December 2007

LEGAL ADVISORS

Freshfields Bruchkhaus Deringer
Unit 1, 5/F
17 Ngo Quyen Street
Hanoi
Vietnam

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

AUDITORS

PricewaterhouseCoopers (Vietnam) Limited
4th Floor, Saigon Tower
29 Le Duan Street, District 1
Ho Chi Minh City
Vietnam

Vietnam Emerging Equity Fund Limited

FINANCIAL HIGHLIGHTS

as at and for the year ended 31 December 2007

FINANCIAL HIGHLIGHTS	Inception to 31 December	
	2007	2006
	<i>USD</i>	<i>USD</i>
Net asset value per ordinary share (“NAV”)	11.725	9.404
Net gain (loss) per ordinary share	2.332	4.637
Dividends per ordinary share	Nil	Nil
Expense ratio not including performance fee (based on average monthly NAV)	2.33%	3.06%
Expense ratio (based on average monthly NAV)	5.55%	16.61%

PERFORMANCE

	<i>% change in USD terms</i>	
Net asset value per ordinary share	24.68%	88.08%

INVESTMENT OBJECTIVE

The primary investment objective of the Company is to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of Vietnamese companies, whether established with domestic or foreign ownership, which are either Listed Companies or Pre-Listing Companies. The Company may also invest up to 30 per cent of its assets at the time of investment in the shares of Overseas-Listed Companies.

THE INVESTMENT MANAGER

The Investment Manager is 100 per cent owned by Phan Xi Pang Asset Management Limited, the holding company of the directors of the Investment Manager. The Investment Manager will provide a continuous investment program for the Company’s assets, including seeking suitable investments for the Company, advising and supporting in relation to the development of investments held by the Company, 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 Company’s assets.

SPECIAL CONSIDERATIONS AND RISK FACTORS

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.

The risks inherent in the investments of the Company in Vietnam are of a nature and degree not typically encountered in 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.

Vietnam Emerging Equity Fund Limited

CHAIRMAN'S STATEMENT

as at and for the year ended 31 December 2007

CHAIRMAN'S STATEMENT

The Company's net asset value ("NAV") per share increased by 24.68% during the period under review.

COMPANY PERFORMANCE

The Company began the year relatively well exposed to Vietnam-listed equities and, in turn, the first quarter rally in 2007 of 42.5%. Later in the year the Company reduced its offshore holdings and used the proceeds to increase exposure to pre-listed holdings and core listed positions as the market was beginning its decline.. During the last couple of months of the year, three of the Company's pre-listed holdings were listed, two at prices well above the auction price and one at a slight discount. Further details of the portfolio's performance are given in the Investment Manager's report on pages 5 to 8.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday, 19 June 2008 at the offices of Freshfields Bruckhaus Deringer, 11th floor, 29 Le Duan Boulevard, Ho Chi Minh City, Vietnam commencing at 5.30 p.m. The formal business will be followed by a presentation by the Investment Manager, after which there will be an opportunity for shareholders to raise any specific issues with the Investment Manager or any member of the Board.

OUTLOOK

The prospects for the long-term development of the Vietnam economy remain positive, once immediate concerns have been addressed. We expect that in spite of recent weakness the country's capital markets, and the stock exchange in particular, will, resume their progress in a manner which reflects this optimistic scenario. However, in the short-term we anticipate continued volatility as the Government fights rising inflation and an increasing trade deficit whilst maintaining a high GDP growth target. The Company, with its strong focus on Vietnam-listed stocks, is well-placed to benefit from the further opening of the market to foreign investors, which we believe is one of the measures the Vietnamese Government is considering with a view to improving the investment environment over the medium-term.

Philip Smiley
Chairman

25 April 2008

Vietnam Emerging Equity Fund Limited

INVESTMENT MANAGER'S REPORT

as at and for the year ended 31 December 2007

REPORT OF THE INVESTMENT MANAGER

The Investment Manager, PXP Vietnam Asset Management Limited, presents its report for the year ended 31 December 2007.

REVIEW OF THE PERIOD

During the period under review the Company's net asset value ("NAV") per share net of performance fees increased by 24.68% from US\$9.404 to US\$11.725. The Viet Nam Index ("VNI"), although not the Company's official benchmark, gained 23.14% in US\$ terms over the same period.

The Company began the year with a relatively high (approximately 73.5%) exposure to Vietnam-listed equities after numerous pre-listed holdings moved across to the formal market during the rush to take advantage of tax breaks for newly-listed companies prior to their removal at the end of December 2006. As a result, the portfolio was reasonably well positioned as the VNI increased 42.5% during the first quarter of the year and the NAV per share increased 35.7%. During the period under review the Company's overall focus shifted onshore with offshore holdings reduced from a little under 20% of the portfolio at the beginning of the calendar year to just over 1.6% on 31 December 2007. Part of the proceeds were used to increase pre-listed holdings from 4.0% to 9.5%, with the balance invested in Vietnam-listed equities, adding to existing core positions, mainly through rights issues and whenever room became available in stocks which had reached the foreign ownership limit. During the last couple of months of the year three of the Company's pre-listed holdings listed, two at prices well above the auction price and one at a slight discount.

STOCK MARKET

The Ho Chi Minh City Securities Trading Centre ("HoSTC"), which changed its name to the Ho Chi Minh Stock Exchange ("HOSE") on 30 July 2007, rose 38.5% in January 2007, the highest monthly rise on record. Much of this was a continuation from the strong rise that occurred in the previous couple of months led by the significant number of new listings in December 2006 and followed, thereafter, 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. The VNI continued to surge reaching a high of 1,170.67 on 12 March 2007. Average daily turnover rose significantly in the first quarter of 2007 from an average of US\$8.9 million in 2006 to US\$62.5 million in February 2007. This exuberance spilled over into the auctions of shares in privatising State-owned enterprises ("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 in order to restrain the rapidly rising market. Although widely reported, these rumours proved unfounded but were 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 305 times 2006 earnings and 173 times estimated 2007 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 deposits. Several other auctions held during the first half of 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. 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. August 2007 saw a small rise of 0.05% before the index surged 15.25% in September 2007, after HSBC stepped in to become a strategic investor in Bao Viet Insurance, restoring some confidence in the

Vietnam Emerging Equity Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 31 December 2007

equitisation process and the listed market in general. During the final quarter of 2007 foreign investors found it increasingly hard to

access Vietnamese Dong ("VND") and thus foreign investment in the market remained subdued. In addition, continued delays in the equitisation of large State-owned enterprises led to muted domestic enthusiasm towards equities. As a result, the VNI declined 11.5% over the final three months of 2007 ending the year at 927.02.

Average daily turnover for the year was US\$37.24 million, with October 2007 achieving a record of US\$83.0 million. Thirty-two companies listed during the year making a total of one hundred and thirty eight companies listed at the HOSE by the end of December 2007 with a combined market capitalisation of US\$21.65 billion.

The Hanoi Securities Trading Centre ("HaSTC") followed a similar pattern with a gain of 33.02% 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 US\$15.28 million. Twenty-eight companies listed and two companies de-listed transferring to the HOSE, making a total of one hundred and thirteen companies listed at the HaSTC by the end of December 2007 with a combined market capitalisation of US\$6.87 billion. Although we remain largely on the sidelines for the moment with only one Hanoi-listed holding in the portfolio at the time of this writing, we continue to follow the HaSTC's development closely, waiting for the time when it begins to attract and retain larger and more interesting listings and significant investor participation.

The Company maintained its value stance at the auctions it participated in during the first quarter of 2007 and, as a result, was unsuccessful with its bids during this period of overpricing. However, as sentiment deteriorated in April and May 2007 the Company bought shares in PetroVietnam Fertiliser below the average auction price. Thereafter, as market sentiment continued to weaken, the pace of equitisations and auctions slowed, and the Company chose not to add significantly to pre-listing holdings. As a result, the Company acquired the majority of its pre-listed purchases during the period under review through private placements and "invitation only" auctions of private companies, such as NAVICO. The auctions of large SOEs began once again at the very end of the year when the Company was able to purchase a small holding in Vietcombank at below the average price. The SABECO auction followed in early 2008, albeit undersubscribed and without the Company's participation.

We expect that the equitisation process will continue during 2008 but at a staggered pace so that liquidity within the market is not too badly affected. This may include companies such as HABECO, Incombank, Mekong Housing Bank, Mobifone and Vinaphone. The authorities have a market capitalisation target of between US\$30 billion and US\$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 US\$71.01 billion (FY 2006: US\$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").

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 US\$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 US\$4.3 billion), Foreign Indirect Investment ("FII") (we have seen estimates as high as US\$5.0 billion), remittances from overseas Vietnamese (estimated at US\$5.0 billion through official channels), and other inflows from overseas

Vietnam Emerging Equity Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 31 December 2007

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 US\$21.156 billion, twice that of FY 2006 (US\$10.0 billion). FDI disbursement reached US\$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, the WTO accession 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 the first quarter of 2007, particularly FII, began to place upward pressure on the 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 diseases such as the blue ear (swine) disease 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 of Vietnam ("SBV") 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 US\$ and 5% for VND to 10% for both; turning off the margin lending tap; and increasing the number of bills issued by the SBV. 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 US\$ over the last couple of years whilst VND has depreciated by about 1.5% against the US\$ 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.

OUTLOOK

We remain confident that the macroeconomic environment will continue to advance. The previous Government GDP growth target for 2008 of between 8.5% - 9.0% has recently been lowered to between 6.5% - 7.5%. This new target is achievable but is threatened by a potential slow-down in trade growth should U.S. 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 SBV'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.

Vietnam Emerging Equity Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 31 December 2007

PORTFOLIO REVIEW

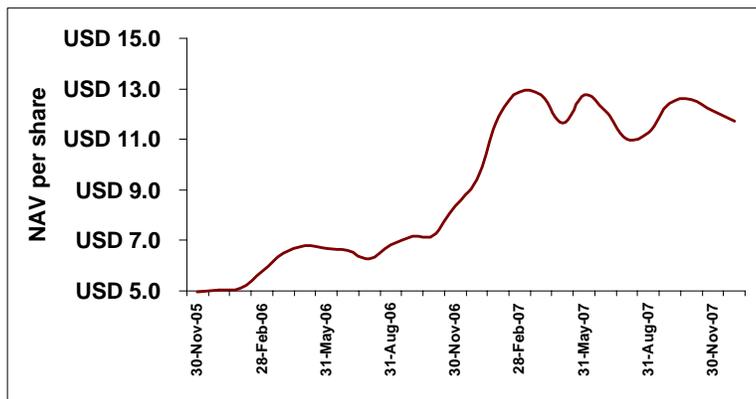
Portfolio as at 31 December 2007 - Top Ten Holdings

	Company Code	Portfolio Holding	Value USD	% of NAV
1	STB	3,299,843	13,486,480	15.01%
2	SAM	992,964	8,488,249	9.45%
3	REE	909,765	7,777,031	8.65%
4	VNM	673,580	6,976,881	7.76%
5	GMD	722,616	5,996,851	6.67%
6	AGF	916,190	4,744,907	5.28%
7	BMP	458,150	4,716,889	5.25%
8	BVS	240,698	3,153,957	3.51%
9	NKD	271,502	2,981,602	3.32%
10	IMP	224,880	2,623,955	2.92%

PERFORMANCE

The performance of the Company since inception to the end of December 2007 is shown in the following graph:

NAV per share Since Inception



On behalf of the Investment Manager:

Vietnam Emerging Equity Fund Limited

INVESTMENT MANAGER'S REPORT (continued)
as at and for the year ended 31 December 2007

Jonathon Waugh and Kevin Snowball

Investment Managers
25 April 2008

Vietnam Emerging Equity Fund Limited

REPORT OF THE BOARD OF DIRECTORS
as at and for the year ended 31 December 2007

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Vietnam Emerging Equity Fund Limited (“the Company”) presents its report together with the audited financial statements for the year ended 31 December 2007.

Overview

The Company is a closed-end investment company with limited liability, incorporated in the Cayman Islands on 25 July 2005 under the provisions of the Companies Law, Cap. 22 (Revised) of the Cayman Islands. The number of the Company’s Certificate of Incorporation is CD-152440.

Principal activity

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or pre-listing Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

The Board of Directors

The Board of Directors currently has five directors who are non-executive directors. No director is an employee of the Company. The members of the Board of Directors during the year and to the date of this report were:

Philip Smiley
Christopher Vale
Antony Jordan
Gregory Hazlett
Stanley Chou

Directors’ interests

Stanley Chou also serves as the Managing Director of Luserve Asia Pacific Limited. This is a financial advisory company which represents investors who own 1,800,000 shares in the Company as at 31 December 2007.

Except for the above, at no time during the period and to the date of this report did any director have a direct or indirect interest in the shares of the Company, and the Company has not been a party to any arrangement to enable the directors of the Company to acquire any direct or indirect interest in the shares of the Company.

Vietnam Emerging Equity Fund Limited

REPORT OF THE BOARD OF DIRECTORS (continued)
as at and for the year ended 31 December 2007

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2007 and of its financial performance, cash flows and changes in shareholders' equity for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on a 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 which enable financial statements to be prepared which comply with International Financial Reporting Standards. The Board of Directors is also responsible for safeguarding the assets of the Company and thus for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm to the best of our knowledge:

- The accompanying financial statements as set out on pages 13 to 32, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company.
- 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.

On behalf of the Board of Directors

Philip Smiley
Chairman

25 April 2008

Vietnam Emerging Equity Fund Limited

AUDITOR'S REPORT

as at and for the year ended 31 December 2007

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VIETNAM EMERGING EQUITY FUND LIMITED

We have audited the accompanying financial statements of Vietnam Emerging Equity Fund Limited ("the Company"), which comprise the balance sheet as at 31 December 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

The Board of Directors 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.

Auditor's 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 in order to obtain reasonable assurance as to 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 auditor's judgment, including an 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 31 December 2007, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ian S. Lydall
Authorised signatory

PricewaterhouseCoopers (Vietnam) Limited
Ho Chi Minh City, SR Vietnam
Audit report number HCM2045
25 April 2008

Vietnam Emerging Equity Fund Limited

BALANCE SHEET

As at 31 December 2007

	Note	As at 31 December	
		2007 US\$	2006 US\$
ASSETS			
Financial assets at fair value through profit or loss	4	96,712,520	74,985,409
Receivables	5	209,317	191,767
Cash and cash equivalents	6	255,733	3,165,729
Total assets		<u>97,177,570</u>	<u>78,342,905</u>
LIABILITIES			
Accrued fees and other payables	7	7,317,819	6,271,231
Total liabilities		<u>7,317,819</u>	<u>6,271,231</u>
NET ASSETS		<u>89,859,751</u>	<u>72,071,674</u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	8	383,188	383,188
Share premium	8	45,649,918	45,649,918
Retained earnings		43,939,285	26,070,577
Cumulative translation reserve		(112,640)	(32,009)
Total equity		<u>89,859,751</u>	<u>72,071,674</u>
Net asset value per share	9	<u>11.725</u>	<u>9.404</u>

The notes on pages 16 to 31 are an integral part of these financial statements.

Vietnam Emerging Equity Fund Limited

INCOME STATEMENT

For the year ended 31 December 2007

	Note	Year ended 31.12.2007 US\$	Period from 25.07.2005 to 31.12.2006 US\$
Income			
Interest income		132,595	521,811
Dividend income		886,108	636,078
Net gains on financial assets at fair value through profit or loss	4	22,040,385	31,746,544
Total net income		<u>23,059,088</u>	<u>32,904,433</u>
Expenses			
Management fee	10	1,825,286	861,423
Performance fee	10	3,025,743	5,574,584
Custodian fee	11	134,037	64,497
Secretarial and administration fees	12	41,755	33,121
Securities expenses		63,487	131,673
Directors' fees	10	50,274	57,808
Other operating expenses	13	49,798	110,750
Total operating expenses		<u>5,190,380</u>	<u>6,833,856</u>
Profit before tax		17,868,708	26,070,577
Income tax expenses	2.7	-	-
Net profit		<u>17,868,708</u>	<u>26,070,577</u>
Earnings per share for profit attributable to the shareholders of the Company			
- basic	9	<u>2.332</u>	<u>4.637</u>

The notes on pages 16 to 31 are an integral part of these financial statements.

Vietnam Emerging Equity Fund Limited

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY For the year ended 31 December 2007

	Ordinary shares US\$	Share premium US\$	Retained earnings US\$	Cumulative translation reserves US\$	Total US\$
Balance at 25 July 2005	-	-	-	-	-
Net profit for the period	-	-	26,070,577	-	26,070,577
Issue of share capital	383,188	45,649,918	-	-	46,033,106
Currency translation differences	-	-	-	(32,009)	(32,009)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006/ 1 January 2007	383,188	45,649,918	26,070,577	(32,009)	72,071,674
Net profit for the year	-	-	17,868,708	-	17,868,708
Currency translation differences	-	-	-	(80,631)	(80,631)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	383,188	45,649,918	43,939,285	(112,640)	89,859,751
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 16 to 31 are an integral part of these financial statements.

Vietnam Emerging Equity Fund Limited

CASH FLOW STATEMENT

For the year ended 31 December 2007

	Note	Year ended 31.12.2007 US\$	Period from 25.07.2005 to 31.12.2006 US\$
Cash flows from operating activities			
Purchase of financial assets		(26,855,876)	(48,492,342)
Proceeds from sale of financial assets		28,808,172	5,648,015
Dividends received		971,230	491,393
Interest received		133,084	521,322
Collection of deposits for purchases of securities		46,593	-
Deposits for purchases of securities		(149,753)	(46,593)
Operating expenses paid		(5,782,815)	(957,163)
		<hr/>	<hr/>
Net cash used in operating activities		(2,829,365)	(42,835,368)
		<hr/>	<hr/>
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		-	46,033,106
		<hr/>	<hr/>
Net cash from financing activities		-	46,033,106
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(2,829,365)	3,197,738
Cash and cash equivalents at beginning of year/period		3,165,729	-
Currency translation differences		(80,631)	(32,009)
		<hr/>	<hr/>
Cash and cash equivalents at end of year/period	6	<u>255,733</u>	<u>3,165,729</u>

The notes on pages 16 to 31 are an integral part of these financial statements.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

1 General information

Vietnam Emerging Equity Fund Limited (“the Company”) is a closed-end investment company incorporated in the Cayman Islands on 25 July 2005 under the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability. Its Certificate of Incorporation number is CD-152440.

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

CARD Corporate Services Ltd.
4th Floor, Zephyr House, 122 Mary Street
PO Box 709 GT, George Town
Grand Cayman, Cayman Islands
British West Indies

The Company has no employees.

The principal activity of the Company is investment holding with an objective to seek long-term capital appreciation of its assets by investing in a portfolio of the equity securities of listed or pre-listing Vietnamese companies, whether established with domestic or foreign ownership. The Company may also invest up to 30% of its assets at the time of investment in the shares of overseas listed companies.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements of Vietnam Emerging Equity Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The balance sheet presents assets and liabilities in increasing order of liquidity and does not distinguish between current and non-current items.

(a) *Standards and amendments that have been adopted by the Company in 2007*

IFRS 7, *Financial Instruments: Disclosures*, and a complementary Amendment to IAS 1, *Presentation of Financial Statements - Capital Disclosures* are mandatory for the Company’s accounting periods beginning on or after 1 January 2007. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and disclosure requirements in IAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under IFRS.

The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *Standards and amendments that have been adopted by the Company in 2007 (continued)*

The Company has applied IFRS 7 and the amendment to IAS 1 beginning 1 January 2007.

(b) *Standard and interpretations effective in 2007 but not relevant*

The following standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to the Company's operations:

- IFRS 4, Insurance contracts;
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies;
- IFRIC 8, Scope of IFRS 2;
- IFRIC 9, Reassessment of Embedded Derivatives; and
- IFRIC 10, Interim Financial Reporting and Impairment.

(c) *Amendment that has not been early adopted by the Company*

IAS 1 (Revised), *Presentation of Financial Statements* is mandatory for the Company's accounting periods beginning on or after 1 January 2009, and has not been early adopted. The purpose of the revision is to enhance the usefulness of information presented in the financial statements. The amendment introduces new terminology, replacing "balance sheet" with "statement of financial position" and "cash flow statement" with "statement of cash flows", although the titles are not obligatory. The amendment also introduces changes in the statement of changes in equity and a new statement of comprehensive income that combines all items of income and expense recognised in profit and loss together with "other comprehensive income". Management is in the process of assessing the impact of the amendment to IAS 1 and currently expects there to be additional disclosures. The Company will apply the amendment to IAS 1 from annual periods beginning on 1 January 2009.

(d) *Standards, amendments and interpretations to existing standards that are not yet effective and not relevant for the Company's operations*

- IAS 23 (Revised), Borrowing Costs (effective from 1 January 2009);
- IAS 27 (Revised), Consolidated and Separate Financial Statement (effective from 1 July 2009);
- IFRS 2 (Amendment), Share-based Payment – Vesting Conditions and Cancellations (effective from 1 July 2009);
- IFRS 3 (Revised), Business Combinations (effective from 1 July 2009);
- IFRS 8, Operating Segments (effective from 1 January 2009);
- IFRIC 11, IFRS 2—Group and Treasury Share Transactions (effective from 1 March 2007);
- IFRIC 12, Service Concession Arrangements (effective from 1 January 2008);
- IFRIC 13, Customer Loyalty Programmes (effective from 1 July 2008); and
- IFRIC 14, IAS 19, Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008).

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

2 Summary of significant accounting policies (continued)

2.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The functional currency of the Company is the Vietnamese Dong (“VND”), which reflects the Company’s primary activity of investing in equity securities of listed or pre-listing Vietnamese companies. The majority of the Company’s investments are originally made in VND denominated securities and will be liquidated and realised in VND.

The Company has adopted the United States Dollar (“US\$”) as its presentation currency, as its shareholders are mostly based outside SR Vietnam and the US\$ is a more widely used and recognised currency than the VND. The shareholders’ investments in the Company are made in US\$ and the Company’s net income will be distributed to the shareholders in US\$. The Company’s results and financial position are translated from its functional currency to its presentation currency as follows:

- (i) Assets and liabilities are translated at the closing rate at the balance sheet date.
- (ii) Income and expenses are translated using the exchange rate at the transaction date.
- (iii) All exchange differences arising on translation are recognised as a separate component of equity.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss.

2.3 Financial assets at fair value through profit or loss

(a) Classification

The Company classifies its investments in equity securities as financial assets at fair value through profit or loss. These financial assets are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company’s documented investment strategy. The Company’s policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

2 Summary of significant accounting policies (continued)

2.3 Financial assets at fair value through profit or loss (continued)

(b) Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the income statement within interest income using the effective interest method. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Company's right to receive payments is established.

(d) Fair value estimation

Fair value of listed equity securities is based on their last traded prices at the last official close of the Ho Chi Minh Stock Exchange or Hanoi Securities Trading Centre ("the Exchanges") or other relevant stock exchange on the relevant valuation day.

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 comparable recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term investments with original maturities of three months or less, and bank overdraft.

2.5 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest method.

Dividend income is recognised when the Company's right to receive payment is established.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

2 Summary of significant accounting policies (continued)

2.6 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are ratified by the Annual General Meeting.

2.7 Taxation

Under 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 the 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 in the Company. An annual registration fee will be payable by the Company in the Cayman Islands which will be 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 US\$2,350 per annum.

Under Vietnam law, according to Circular 134/2007/TT-BTC dated 23 November 2007, Circular 100/2004/TT-BTC dated 20 October 2004 and Circular 72/2006/TT-BTC dated 10 August 2006, the Company is subject to 0.1% of the sales price when it sells all or part of its investments in domestic listed and unlisted Vietnamese companies. Net gains from the disposal of investments in non-joint stock companies are subject to 28% income tax.

Interest received by the Company from cash deposits at domestic banks registered in the SR Vietnam is subject to withholding tax of 10%. The Company is not liable for Vietnamese taxes on its income derived from outside the SR Vietnam and capital gains derived from sale or other disposal of its non-Vietnamese investments.

2.8 Related parties

Related parties include any entities and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company. The Company's Investment Manager, key management personnel of the Company and its Investment Manager, including directors and officers and close members of the family of these individuals and companies associated with these individuals, also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3 Financial risk management

The Company is exposed to certain special risks as well as normal investment risks. All securities investments present a risk of loss of capital. The Board of Directors believes that the Company's investment policy will moderate this risk through a careful selection of securities. The Company is exposed to market price risk, interest rate risk, credit risk, liquidity and emerging market risk, and currency risk. The risk management policies employed by the Company to manage these risks are discussed below.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3 Financial risk management (continued)

3.1 Market price risk

Market price risk is the risk that the value of a financial asset will fluctuate as a result of changes in market prices, whether or not those changes are caused by factors specific to the individual asset or factors affecting all assets in the market. The Company will be exposed to market price risk on all of its investments. In the case of its investments in listed companies, such market price risk relates to the Hanoi Securities Trading Centre and Ho Chi Minh Stock Exchange and to other exchanges, if any, where such investments are listed. Furthermore, there is no certainty that the market price of the shares will fully reflect their underlying net asset value. Shares of closed-end investment companies frequently trade at a discount to net asset value. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the net asset value may decrease.

The Company's Investment Manager, PXP Vietnam Asset Management Limited, provides a continuous investment programme for the Company's assets, including seeking suitable investments for the Company, advises and supports in relation to the development of investments held by the Company, 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 Company's assets. The performance of investments held by the Company is monitored closely by the Company'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.

Investments in pre-listing companies are restricted to no more than 60 per cent of the Company's assets at the time of investment. The Company may invest up to 30 per cent of its assets in overseas listed companies which have capitalisation or net asset value in excess of US\$100 million at the time of the investment.

The Company invests across a range of industries. The current intention is to invest no more than 40 per cent of the Company's assets at the time of investment in any one sector.

Sensitivity analysis

Since most of the Company's investments are listed on either the Hanoi Securities Trading Centre or Ho Chi Minh Stock Exchange, the value of the Company's portfolio may change due to movements in the VN-Index ("VNI"). As at 31 December 2007, 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 US\$25,705,000 (31 December 2006: US\$21,613,000). A 30% drop of the VNI would have resulted in an equal but opposite effect on net profit and net assets.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3 Financial risk management (continued)

3.2 Interest rate risk

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

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

3.3 Credit risk

To the extent that the Company 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 Company. Moreover, the Company 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 Company would recover any of the amounts owed to the Company by a defaulting counterparty.

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet their obligation.

3.4 Liquidity risk and emerging market risk

The Company is permitted to borrow money and to grant security over its assets. However, the Articles of Incorporation limit such borrowings to 25% of the latest available net asset value of the Company at the time of the borrowing, unless the shareholders in general meeting otherwise determine by ordinary resolution. No such borrowings have arisen during the year.

It may be considerably more difficult for the Company 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.

The Company may also invest in overseas listed companies in stock markets in countries outside Vietnam where there is equally lack of liquidity.

In addition, the Company 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 Company's investments in pre-listing companies.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3 Financial risk management (continued)

3.4 Liquidity risk and emerging market risk (continued)

The value of the Company's assets and of an investment in the Company may be adversely affected by changes in government, government personnel or government policies, which may include, among other things, changes in economic policy, taxation, investment regulations, securities regulations and foreign currency conversion or repatriation. While Vietnam has implemented many reforms which have improved the overall framework for investors and companies in which they invest, there is no guarantee that reform will continue or that it will continue at any particular pace.

Vietnamese accounting, auditing and financial reporting standards, practices and disclosure requirements differ from those in more developed countries. Less information may therefore be available to the Company than in respect of investments in more developed countries. However, the Company intends to make investments in pre-listing companies and overseas listed companies on the basis of financial statements audited by a major international firm of accountants, and listed companies are all required to have audited financial statements. In addition, the Investment Manager intends to encourage the management of investee companies to adopt international accounting standards and practices in order to improve the standing of their companies in the view of international investors.

The Company is not exposed to daily cash redemption as shareholders have no right to require their shares to be redeemed by the Company.

3.5 Currency risk

The net asset value per share is expressed in US\$ and will fluctuate in accordance with, among other things, changes in the foreign exchange rate between the US\$ and the VND. Shareholders' investments in the Company are made in US\$, and the Company converts such US\$ into VND or other currencies prior to making investments. It will have to convert VND or such other currencies back to US\$ prior to distribution of 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 net asset value, or (b) the distributions received by shareholders in US\$ after conversion of the income and realisation proceeds from the Company's non-dollar-denominated investments.

The Company may seek to hedge against a decline in the value of the Company'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 Company will be successful in protecting against currency depreciation. The Company has no outstanding hedging instrument as at 31 December 2007.

A majority of the Company's investments are denominated in VND and pay dividends in VND. The Company will need to convert VND to US\$ 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 Company or that the Company will receive any priority if there is any shortage of hard currency.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3 Financial risk management (continued)

3.5 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 Company 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 Company's exposure to depreciation of the VND against other currencies. If conversion is not effected at all, some of the Company's assets may be denominated in a non-convertible currency.

The table below summarises the Company's exposure to currency risk as at 31 December 2007.

(i) Concentration of assets and liabilities

	Amounts denominated in VND US\$	Amounts denominated in US\$ US\$	Amounts denominated in other currencies US\$	Total US\$
Assets				
Financial assets at fair value through profit or loss	95,143,184	-	1,569,336	96,712,520
Receivables	209,317	-	-	209,317
Cash and cash equivalents	251,513	4,220	-	255,733
Total assets	95,604,014	4,220	1,569,336	97,177,570
Liabilities				
Accrued fees and other payables	2,091,324	5,223,572	2,923	7,317,819
Total liabilities	2,091,324	5,223,572	2,923	7,317,819
Net assets	93,512,690	(5,219,352)	1,566,413	89,859,751

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

3 Financial risk management (continued)

3.5 Currency risk (continued)

(i) Concentration of assets and liabilities (continued)

The exchange rates as at 31 December 2007 were:

Hong Kong Dollar/US\$	7.80005
Singapore Dollar/US\$	1.44420
Vietnamese Dong/US\$	16,016.54

(ii) Sensitivity analysis

The majority of the Company's investments are denominated in VND while its presentation currency is US\$. The Company's receivables and a portion of cash and cash equivalents as at 31 December 2007 were also denominated in the VND. As at 31 December 2007, had the US\$ weakened by 5% in relation to the VND, with all other variables held constant, net assets would have risen by US\$4,664,000 (31 December 2006: US\$3,097,000). A 5% strengthening of the US\$ against the VND would have resulted in an equal but opposite effect on net assets.

4 Financial assets at fair value through profit or loss

	31.12.2007	31.12.2006
	US\$	US\$
Listed equity securities	87,253,868	72,043,453
Pre-listing equity securities	9,458,652	2,941,956
	<hr/>	<hr/>
Total financial assets at fair value through profit or loss	96,712,520	74,985,409
	<hr/> <hr/>	<hr/> <hr/>
	Year ended	Period from
	31.12.2007	25.07.2005 to
	US\$	31.12.2006
	US\$	US\$
Net gains in value on financial assets at fair value through profit or loss:		
- Realised gains on sale of investments	13,103,423	2,818,886
- Unrealised gains	8,936,962	28,927,658
	<hr/>	<hr/>
	22,040,385	31,746,544
	<hr/> <hr/>	<hr/> <hr/>

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

4 Financial assets at fair value through profit or loss (continued)

The details of equity securities by industrial sector as at 31 December 2007 are set out as follows:

Company	Number of shares held	Fair market value	% each investment by industry	% NAV
Agricultural				
Southern Seed Corporation	496,350	1,951,160	2.02%	2.17%
Dong Phu Rubber Joint Stock Company	25,850	137,102	0.14%	0.15%
Hoa Binh Rubber Joint Stock Company	106,520	1,116,618	1.15%	1.24%
Thong Nhat Rubber Joint Stock Company	240,000	546,598	0.57%	0.61%
PetroVietnam Fertiliser and Chemicals Company	500,000	2,308,691	2.39%	2.57%
Subtotal	1,368,720	6,060,169	6.27%	6.74%
Plastics				
Binh Minh Plastic Company	458,150	4,716,889	4.88%	5.25%
Subtotal	458,150	4,716,889	4.88%	5.25%
Materials				
Hoa An Joint Stock Company	237,682	889,839	0.92%	0.99%
Vietnam Electricity Construction	125,000	432,879	0.45%	0.48%
Nui Nho Stone Joint Stock Company (*)	250,000	926,349	0.96%	1.03%
Binh Duong Minal and Construction Joint Stock Company (*)	470,750	1,385,748	1.43%	1.54%
Subtotal	1,083,432	3,634,815	3.76%	4.04%
Food and Beverage				
An Giang Fisheries Import and Export Joint Stock Company	916,190	4,744,907	4.91%	5.28%
Ben Tre Aquaproduct Import and Export Joint Stock Company	350,000	1,965,507	2.03%	2.19%
Nam Viet Company	400,000	2,246,293	2.32%	2.50%
Bien Hoa Confectionery Corporation	213,282	1,330,817	1.38%	1.48%
Vedan International Holdings	974,410	101,188	0.10%	0.11%
Sao Ta Foods Joint Stock Company	598,000	1,884,328	1.95%	2.10%
Interfood Shareholding Company	36,327	85,001	0.09%	0.09%
North Kinh Do Foods Joint Stock Company	271,502	2,981,602	3.08%	3.32%
Vinh Hoan Corporation	100,000	396,221	0.41%	0.44%
Vietnam Dairy Product Joint Stock Company	673,580	6,976,881	7.21%	7.76%
An Phu Binh Duong Company (*)	279,999	430,650	0.45%	0.48%
Subtotal	4,813,290	23,143,395	23.93%	25.76%
Furniture				
Truong Thanh Furniture Corporation (*)	500,000	1,445,719	1.49%	1.61%
Subtotal	500,000	1,445,719	1.49%	1.61%
Garments				
Binh Thanh Import-Export Production and Trade Joint Stock Company	643,804	1,952,333	2.02%	2.17%
Subtotal	643,804	1,952,333	2.02%	2.17%

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

4 Financial assets at fair value through profit or loss (continued)

Company	Number of shares held	Fair market value	% each investment by industry	% NAV
Logistics				
General Forwarding and Agency Corporation	722,616	5,996,851	6.20%	6.67%
Transforwarding and Warehouse Joint Stock Company	270,732	1,385,216	1.43%	1.54%
Subtotal	993,348	7,382,067	7.63%	8.22%
Pharmaceuticals				
Hau Giang Pharmaceutical Company	179,246	2,617,154	2.71%	2.91%
Inmexpharm Pharmaceutical Joint Stock Company	224,880	2,623,955	2.71%	2.92%
Mekophar Chemical Pharmaceutical Joint Stock Company (*)	100,000	553,356	0.57%	0.62%
Vidipha Central Pharmaceutical Joint Stock Company (*)	120,000	445,887	0.46%	0.50%
Subtotal	624,126	6,240,352	6.45%	6.94%
Technology				
Ellipsiz Limited	6,058,000	1,468,148	1.52%	1.63%
Subtotal	6,058,000	1,468,148	24.83%	1.52%
Property				
Hoa Phat Group Joint Stock Company	51,070	302,653	0.31%	0.34%
Refrigeration Electrical Engineering Corporation	909,765	7,777,031	8.04%	8.65%
Investment and Trading Real Estate Joint Stock Company (*)	40,000	274,196	0.28%	0.31%
Sao Mai Construction Corporation (*)	194,600	1,386,344	1.43%	1.54%
Subtotal	1,195,435	9,740,224	10.07%	10.84%
Energy				
Pha Lai Thermal Power Joint Stock Company	95,000	352,699	0.36%	0.39%
Subtotal	95,000	352,699	0.36%	0.39%
Oil and gas				
PetroVietnam Drilling and Well Services Joint Stock Company	27,663	262,744	0.27%	0.29%
Subtotal	27,663	262,744	0.27%	0.29%
Telecommunication				
Cables and Telecommunication Material Joint Stock Company	992,964	8,488,249	8.78%	9.45%
Subtotal	992,964	8,488,249	8.78%	9.45%
Finance				
Saigon Thuong Tin Commercial Joint Stock Bank	3,299,843	13,486,480	13.94%	15.01%
Vietnam Securities Investment Fund	1,500,000	2,573,878	2.66%	2.86%
Bao Viet Securities Company	240,698	3,153,957	3.26%	3.51%
Bank for Foreign Trade of Vietnam (*)	240,000	1,549,943	1.60%	1.72%
Subtotal	5,280,541	20,764,258	21.47%	23.11%

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

4 Financial assets at fair value through profit or loss (continued)

Company	Number of shares held	Fair market value	% each investment by industry	% NAV
Mining				
Coc Sau Coal Company (*)	267,000	1,060,459	1.10%	1.18%
Subtotal	267,000	1,060,459	1.10%	1.18%
Total		96,712,520	100%	107.63%

(*) These are pre-listing equity securities.

5 Receivables

	31.12.2007 US\$	31.12.2006 US\$
Deposit for acquisition of securities	149,753	46,593
Accrued dividend income	59,564	144,685
Accrued interest income on deposits at banks	-	489
	<u>209,317</u>	<u>191,767</u>

6 Cash and cash equivalents

	31.12.2007 US\$	31.12.2006 US\$
Current account in VND	251,513	2,170,272
Current account in US\$	4,220	7,187
Short-term fixed deposits in US\$	-	988,270
	<u>255,733</u>	<u>3,165,729</u>

7 Accrued fees and other payables

	31.12.2007 US\$	31.12.2006 US\$
Accrued performance fees (Note 10)	5,025,744	5,574,584
Accrued directors' fees (Note 10)	70,082	57,808
Accrued management fee (Note 10)	-	106,977
Setting-up fees payable	5,295	5,295
Trustee and administration fees payable	64,783	29,904
Secretarial service fees payable	2,162	1,156
Unsettled investment purchase	2,088,794	449,772
Other payables	60,959	45,735
	<u>7,317,819</u>	<u>6,271,231</u>

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

8 Share capital

	Number of shares	Ordinary shares US\$	Share premium US\$	Total US\$
Balance at 25 July 2005	-	-	-	-
Issue of share capital	7,663,750	383,188	45,649,918	46,033,106
Balance at 31 December 2006	<u>7,663,750</u>	<u>383,188</u>	<u>45,649,918</u>	<u>46,033,106</u>
Balance at 1 January 2007 and 31 December 2007	<u><u>7,663,750</u></u>	<u><u>383,188</u></u>	<u><u>45,649,918</u></u>	<u><u>46,033,106</u></u>

The Company's authorised share capital is 10,000,000 ordinary shares with a par value of US\$0.05 per share. The shares were issued and fully paid before 1 January 2007.

The shares constitute the only class of shares in the Company. All shares have the same rights, whether in regard to voting, dividend, return of share capital and otherwise. Each issued and fully paid ordinary share is entitled to dividend when declared and carries one voting right. In a winding up of the Company, the shares carry a right to a return of the nominal capital paid-up in respect of such shares, and the right to share in the surplus assets.

As at 31 December 2007, Citivic Nominees Limited held interest in 79.53% of the Company's ordinary shares (31 December 2006: 74.55%).

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. 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

	31.12.2007 US\$	31.12.2006 US\$
Net asset value	89,859,751	72,071,674
Number of shares in issue	7,663,650	7,663,750
Net asset value per share	<u>11.725</u>	<u>9.404</u>
	Year ended	Period from
	31.12.2007	25.07.2005
		to 31.12.2006
Net profit for the year/period	17,868,708	26,070,577
Weighted average number of ordinary shares in issue	7,663,750	5,622,898
Basic earnings per share	<u>2.332</u>	<u>4.637</u>

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

9 Net asset value per share and earnings per share (continued)

The net asset value per share is determined by the Administrator in accordance with the Articles at the close of business in the last relevant market to close on each valuation day. The net asset value per share is determined by dividing the net asset value by the number of shares issued and outstanding at the time and rounding up to three decimal places.

The basic earnings per share is calculated by dividing net income for the year attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year. During the year, the Company did not have dilutive ordinary shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

10 Related party transactions

Investment management agreement

The Company is managed by the Investment Manager, PXP Vietnam Asset Management Limited, a company incorporated with limited liability under the laws of the British Virgin Islands. The Company pays to the Investment Manager a monthly management fee which is equal to one-twelfth of two per cent of the net asset value of the Company, is payable monthly in advance and is calculated by reference to the valuation day at the end of the preceding month. Total management fee for the year amounted to US\$1,825,286 (2006: US\$861,423) with no outstanding accrued fee to PXP Vietnam Asset Management Limited as at 31 December 2007 (31 December 2006: US\$106,977).

The Company pays to the Investment Manager a performance fee in relation to any financial year if the Company's total return at the end of such year exceeds (i) the benchmark and (ii) the high water mark. Where a performance fee is payable, it will be an amount equal to 20 per cent of the amount by which the Company's total return exceeds the higher of the benchmark and the high water mark. An accrual of US\$3,025,743 has been made for performance fee for the year ended 31 December 2007 (2006: US\$5,574,584). Outstanding performance fee as at 31 December 2007 was US\$5,025,744 (31 December 2006: US\$5,574,584).

PXP Vietnam Asset Management Limited, the Investment Manager of the Company holds 95,455 shares in the Company as at 31 December 2007 (31 December 2006: 25,000 shares).

Directors' remuneration

The Board of Directors determines the fees payable to each director, subject to a maximum aggregate amount of US\$50,000 per annum being paid to the members of the Board. An accrual of US\$50,274 has been made for directors' fees for the year ended 31 December 2007 (2006: US\$57,808).

Stanley Chou also serves as the Managing Director of Luserve Asia Pacific Limited. This is a financial advisory company which represents investors who own 1,800,000 shares in the Company as at 31 December 2006 and 31 December 2007.

Vietnam Emerging Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2007

11 Custodian fee

The Custodian receives a safe-keeping fee of 0.04 per cent per annum of the net asset value calculated as at each valuation day and payable monthly in arrears. In addition, the Vietnam sub-custodian receives 0.09 per cent per annum for listed securities. The Custodian and Vietnam sub-custodian also charge certain fees for actual transactions. Total custodian fees charged for the year ended 31 December 2007 were US\$134,037 (2006: US\$64,497).

12 Secretarial and administration fees

In consideration for the services performed under the Administration Agreement, the Administrator receives a fee of 0.04 per cent of the net asset value per annum subject to a minimum amount of US\$1,600 per month which is calculated as at each valuation day and is payable monthly in arrears. The Registrar receives a fee of US\$2,000 per annum. The Secretary receives an annual fee of US\$1,000 for providing certain secretarial services to the Company. Total secretarial and administration fees charged for the year ended 31 December 2007 were US\$41,755 (2006: US\$33,121).

13 Other operating expenses

	Year ended 31.12.2007 US\$	Period from 25.07.2005 to 31.12.2006 US\$
Legal and professional fees	25,335	55,397
Setting up expenses	-	50,000
Government duties, tax	16,046	2,704
Other expenses	8,417	2,649
	<hr/>	<hr/>
	49,798	110,750
	<hr/> <hr/>	<hr/> <hr/>

14 Approval of financial statements

The financial statements were approved by the Board of Directors on 25 April 2008.

Vietnam Emerging Equity Fund Limited

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Vietnam Emerging Equity Fund Limited (the *Company*) will be held at the offices of Freshfields Bruckhaus Deringer, 11th floor, 29 Le Duan Boulevard, Ho Chi Minh City, Vietnam on 19 June 2008 at 5.30 p.m. to consider and, if thought fit, pass the following resolutions:

ORDINARY RESOLUTIONS

- (1) **THAT** the annual report and accounts of the Company for the period ended 31 December 2007 be received and considered.
- (2) **THAT** the decision of the Directors of the Company not to declare and pay a dividend be and is hereby sanctioned.
- (3) **THAT** Philip Smiley be re-elected as a Director of the Company.
- (4) **THAT** Stanley Chou be re-elected as a Director of the Company.
- (5) **THAT** Gregory Hazlett be re-elected as a Director of the Company.
- (6) **THAT** Antony Jordan be re-elected as a Director of the Company.
- (7) **THAT** Christopher Vale be re-elected as a Director of the Company.
- (8) **THAT** PricewaterhouseCoopers (Vietnam) Limited be re-appointed as auditors of the Company and that the Board be authorised to fix the remuneration of the auditors.
- (9) **THAT** in accordance with the Prospectus dated 3 July 2006 the aggregate remuneration of the Board will be fixed at US\$ 50,000 per annum.

By Order of the Board
HSBC Institutional Trust Services (Asia) Limited
Administrator's Agent

28 April 2008

Registered Office:

Fourth Floor, Zephyr House, Mary Street
PO Box 709 GT, George Town
Grand Cayman, Cayman Islands
British West Indies

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy in respect of the above Meeting has been despatched to the shareholders of the Company on 28 April 2008 with this Circular.
2. Proxy forms must be deposited at HSBC Institutional Trust Services (Asia) Limited, 39th Floor, Dorset House, Taikoo Place, 979 King's Road, Hong Kong (Fax No. +(852) 28696120) no later than 48 hours prior to the time specified above for the holding of the Annual General Meeting.