VIETNAM
EMERGING EQUITY FUND

Interim Report
for the six months ended 30 June 2007

CONTENTS

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CHAIRMAN'S STATEMENT

The Company's net asset value per share, net of accrued performance fees, increased by 29.10% during the six months ended 30 June 2007. The Viet Nam Index (VNI), although not the Company's official benchmark, rose 35.96% in US$ over the same period.

The relative under-performance is mainly due to a combination of accrued performance fees and the drag effect of the Company's policy of valuing its unlisted holdings at cost rather than marking them up in line with theoretical over-the-counter market prices. We expect that at least three of the Company's larger pre-listed holdings will list during the remainder of this Financial Year. Any valuation uplift will obviously improve the Company's performance vis-a-vis the VNI.

We feel optimistic that the economic fundamentals will remain positive, that the development of the stock market will continue and that the equitisation process will pick up pace towards the end of the financial year, providing further investment opportunities for the Company.

Further details on the portfolio's performance are given in the Investment Manager's report on pages 6 - 10.

Philip Smiley
Chairman

15 October 2007

REPORT OF THE INVESTMENT MANAGER

During the period under review the Company's net asset value per share increased by 29.10%, from US$ 9.404 to US$ 12.141, net of accrued performance fees. The VNI gained 35.96% in US$ terms over the same period.

The Company began the year with a relatively high (approximately 73.5%) exposure to Vietnam-listed stocks 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 during January 2007 when the VNI rose 38.52%, the best monthly performance since inception. This was the third consecutive double-digit monthly gain in a rally led, but not dominated by foreign investors - the volume of shares bought by foreign investors during this rise was never more than 35.6% (November 2006) of the daily total. Several global investment banks played a strong part in this process through the creation of participation certificates (so-called "P-notes") on baskets of listed Vietnamese equities and on individual stocks. Without any reliable research, either internal or external, these banks selected only large, liquid listed companies where the foreign ownership limits had yet to be reached for inclusion in baskets. This, in turn, encouraged domestic investors to add fuel to the fire, helped by the increasing availability of margin financing. As a result, on 19 January 2007 the VNI broke through the 1,000 level for the first time and the Ho Chi Minh Securities Trading Centre (HoSTC) achieved a market capitalisation in excess of US$ 10 billion. The traditional pre-Tet (Lunar New Year) rise in the VNI, driven by domestic investors, helped the index rise a further 9.25% in February 2007. This exuberance spilled over into the auctions of shares in privatising State-owned enterprises (SOEs) where during the first two months of 2007 successful bids for shares at such auctions were often, bizarrely, at significantly higher multiples than that of similar listed stocks. Thereafter, the VNI rose a further 2.90% until it reached an all time closing high of 1,170.67 on 12 March 2007. However, during the same month rumours began circulating that the Government was considering introducing capital controls. Apparently, these were to be aimed at stemming the significant foreign indirect investment (FII) capital entering Vietnam destined for the rapidly rising stock market. Although widely reported, these rumours proved unfounded but were, along with a global Emerging Market correction, enough to spook investors, both on- and offshore. As a result, the VNI fell 5.83% in March 2007. The negative sentiment adversely affected the post-auction settlement of several equitising SOEs. One example was the auction of shares in Cadivi, a telecoms cable manufacturer. The auction, held at the end of January 2007, was nearly 20 times oversubscribed. The average price at the auction was equal to 173 times estimated 2007 earnings and 305 times 2006 earnings. However, in April it was revealed that just under 90% of the successful bidders in the Cadivi auction had failed to meet the payment deadline, preferring, instead, to forfeit their 10% deposits. Several other auctions held during the 1H 2007, such as that of PetroVietnam Gas, Bao Viet Insurance and Thac Mo, were similarly affected. In Bao Viet's case the foreign strategic investors who were due to pay the average auction price apparently backed away from the deal. It was only in September 2007 that HSBC agreed to become a strategic investor, buying 10% of the company at close to the average auction price. 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, ending the period under review at 1,024.68. Average daily turnover for the period was US$ 48.9 million versus US$ 5.0 million for the same period in 2006, with February 2007 achieving a daily record of US$ 62.5 million. Only one new company was listed during 1H 2007 making a total of 107 companies listed at the HoSTC by the end of the period with a combined market capitalisation of US$ 12.9 billion.

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

The Hanoi Securities Trading Centre (HaSTC) followed a similar pattern but only managed a gain of 16.92% 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$ 12.9 million. Although we remain largely on the sidelines for the moment with only one Hanoi-listed holding in the portfolio at the time of writing, we continue to follow the HaSTC's development closely, waiting for the time when it begins to attract larger and more interesting listings and significant investor participation.

The Company maintained its value stance at the auctions it participated in during Q1 2007 and, as a result, was unsuccessful with its bids during this period of over-pricing. However, as sentiment deteriorated in April 2007 the Company did manage to buy shares in the PetroVietnam Fertiliser auction below the average price. Thereafter, as market sentiment continued to weaken, the pace of equitsations and auctions slowed, and the Company was unable to add significantly to pre-listing holdings. As a result, the Company acquired most of its unlisted purchases during 1H 2007 through private placements and “invitation only” auctions of private companies, such as NAVICO.

The Company’s overall focus shifted onshore during the period under review, with offshore holdings reduced from a little under 20% of the portfolio at the beginning of the calendar year to just over 3% on 30 June 2007. Part of the proceeds were used to increase pre-listed holdings from 4% to 10.5%, with the balance invested in Vietnam-listed equities.

We still expect several large SOEs to equitise before the end of 2007, most important of which will be Vietcombank. Deteriorating sentiment delayed the process by about six months, but 2008 should see matters firmly back on track with Mekong Housing Bank, Incombank, SABECO, HABECO, Mobifone and Vinaphone leading the way. The authorities, having delivered on the promise of raising the stock market capitalisation to US$ 1 billion, now 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 achievable.

ECONOMY

Gross Domestic Product (GDP) during the period under review grew 7.87%, (1H 2006, + 7.40%). 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 the value of exports 1H 2007 grew by 19.4% compared with the same period last year (1H 2006, + 27.7%). The slower growth was largely due to the 10.1% drop in the value of crude oil exports, Vietnam’s largest export, whilst volumes fell 6.7%. Vietnam’s continuing global integration led to strong rises in the export value of garments (+ 25.9%), aquatic products (+ 15.5%), furniture (+ 22.9%), electronics (+ 23.7%), coffee (+ 108.9%), electric cables (+ 29.4%) and coal (+ 18.4%). The value of imports 1H 2007 increased by 30.4% compared with the same period last year (1H 2006, + 14.1%). This robust rise was mostly due to the import of machinery, the largest amongst the inward categories, up 46.5%. The import of components for exports also saw strong rises: fabrics (+ 38.1%), yarn (+ 43.4%) and cotton (+ 34.8%). The value of imported steel, up 60.9%, is strong evidence of the construction boom that is now underway in Vietnam. The resulting trade deficit of US$ 4.78 billion was the highest recorded for any six month period. (1H 2006, US$ 1.98 billion). These figures, although relatively high compared with past periods, do not raise too many concerns, since they are largely due to the importation of vital capital generating machinery and export components. In addition, we expect non-trade inflows, such as the disbursement of foreign direct investment (FDI) and FII, overseas development assistance (ODA), foreign tourism and remittances from overseas Vietnamese, to cover most, if not all, of the trade deficit. The growing private sector continues to enhance domestic demand. Private sector industrial production rose 20.5% versus the same period last year (1H 2006, + 20.8%) and retail sales grew by 22.9% (1H 2006, + 19.7%). New FDI commitments for 1H 2007 reached a record level of US$ 3.929 billion, 74% higher than 1H 2006 (US$ 2.26 billion, + 21.0%).

The rapid rise in foreign investment during Q1 2007, particularly FII, placed upward pressure on the Vietnam Dong (VND). This led to the capital control rumours which several international banks picked up on and highlighted as an emerging risk. This, combined with the global Emerging Market correction in March 2007, temporarily reduced the flow of FII entering the country, thus allaying any need for these rumours to become reality. It seems that the Government remains keen that the currency is kept at levels which ensure export competitiveness. As a result, it did well to maintain a stable VND and avoided the temptation to print excessive amounts of money which would have compounded the relatively high inflation rate.

Inflation continues to be the main cause for concern. For the period under review, inflation reached 5.9%, (1H 2006, 4.0%). However, much of this was due to the rising cost of food, which has a 42.8% weighting in the CPI, compounded by diseases such as Blue Ear which affects swine, and, in turn, places pressure on the price of other foodstuffs. In addition, the cost of building materials rose steeply, due to the increase in steel prices and the rise in construction activity. The Government also blamed excess liquidity and introduced several measures to mop it up such as; raising bank mandatory reserves maintained at the State Bank 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 State Bank, albeit with modest success.

Vietnam officially joined the World Trade Organisation (WTO) as its 150th member on 11 January 2007. We expect many positive benefits for Vietnam to flow from this membership and believe that it will help Vietnam refine its reform process and create opportunities for trade expansion. However, WTO membership will also see increasingly greater competition from foreign entities which will undoubtedly impact many Vietnamese businesses, some for the worse but many for the better.

STRATEGY

Our strategy is to continue to build on the Company's existing core holdings whilst actively seeking opportunities to invest in pre-listing companies and foreign listed companies that meet the Company's investment criteria.

OUTLOOK

We remain confident that the macroeconomic environment will continue to advance. The Government GDP growth target for 2007 of between 8.4% - 8.5% is likely to be achieved through increased trade, 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. We continue to see increasing opportunities for the Company to invest in both foreign listed companies with a strong Vietnam focus and a growing number of relatively larger SOEs and private companies that are now preparing to list over the next few years.

PXP Vietnam Asset Management Limited
Ho Chi Minh City

12 October 2007

INCOME STATEMENT **FOR THE SIX MONTH PERIOD TO 30 JUNE 2007**	**(Unaudited)** **Period six months to 30-Jun-07** US$	**(Unaudited)** **Period from inception to 30-Jun-06** US$
Revenue		
Interest income	111,957	359,599
Dividend income	511,312	342,751
Realised gains on investments	-	-
Unrealised gains on investments	25,332,478	5,229,371
Total investment income	25,955,747	5,931,722
Expenses		
Management fees	911,669	319,306
Performance fees	3,740,984	736,988
Directors' fees	24,932	32,877
Custodian fees	45,382	20,871
Secretarial and administration fees	3,152	4,138
Professional and consultant fees	-	7,143
Legal and professional fees	5,335	42,122
Transaction costs	43,661	18,385
Other operating expenses	101,317	81,826
Total operating expenses	4,876,431	1,263,655
Profit before tax	21,079,316	4,668,067
Income tax expenses	-	-
Net income	21,079,316	4,668,067
***Earnings per share for profit attributable to the shareholders of the Fund during the period** (expressed in US$ per share)	2.751	1.148

* Using the weighted average number of shares for each period (see note 1 on page 15)

No dividend has been declared for the current period.

BALANCE SHEET AS AT 30 JUNE 2007	(Unaudited) 30-Jun-07 US$	(Unaudited) 30-Jun-06 US$
ASSETS		
Cash and cash equivalents	2,643,113	22,912,485
Receivables	830,175	229,307
Financial assets at fair value through profit or loss	100,724,833	29,948,533
Total assets	104,198,122	53,090,325
LIABILITIES		
Accounts payable and accruals	11,149,290	2,409,946
Total liabilities	11,149,290	2,409,946
Net assets	93,048,832	50,680,379
EQUITY		
Ordinary shares	383,188	383,188
Share premium	45,649,919	45,649,919
Retained earnings	47,149,893	4,668,067
Cumulative translation reserves	(134,167)	(20,794)
Total shareholders' equity	93,048,832	50,680,379
Net asset value per share	12.141	6.613

CASH FLOW STATEMENT FOR THE SIX MONTH PERIOD TO 30 JUNE 2007	(Unaudited) Period six months to 30-Jun-07 US$	(Unaudited) Period from inception to 30-Jun-06 US$
Cash flows from operating activities		
Purchase of financial assets at fair value through profit or loss	(21,884,384)	(23,238,872)
Proceeds from the sale of financial assets at fair value through profit or loss	22,138,445	-
Dividends received	551,850	121,394
Interest received	111,981	356,550
Amount paid to brokers	-	(20,886)
Operating expenses paid	(1,363,807)	(318,012)
Net cash outflow from operating activities	(445,915)	(23,099,827)
Cash flows from financing activities		
Net proceeds generated from financing activities	-	46,033,106
Net cash generated from financing activities	-	46,033,106
Increase in cash and cash equivalents	(445,915)	22,933,279
Cash and cash equivalents at beginning of period	3,165,729	-
Currency translation differences	(76,701)	(20,794)
Cash & cash equivalents at end of period	2,643,113	22,912,485

INVESTMENT PORTFOLIO AS AT 30 JUNE 2007

Company	Valuation 30-Jun-07 US$	% of Net Assets
SACOMBANK	13,500,562	13.18%
CABLE & TELECOM	10,272,207	10.03%
REFRIGERATION ELECTRICAL ENGINEERING	8,459,313	8.26%
VINAMILK	7,925,653	7.74%
GEMADEPT	6,584,754	6.43%
AGIFISH	5,906,545	5.77%
BINH MINH PLASTICS	5,538,051	5.41%
BAO VIET SECURITIES	4,087,296	3.99%
NRTH KINHDO FOOD	3,519,440	3.44%
ELLIPSIZ	3,241,686	3.17%
VIET FUND 1	3,012,665	2.94%
HAU GIANG PHARMACEUTICAL	2,974,883	2.91%
NAVICO	2,479,560	2.42%
TRUONG THANH FURNITURE	2,324,587	2.27%
FIMEX	2,298,304	2.24%
AQUA TEX BEN TRE	2,278,096	2.22%
SOUTHERN SEED	2,107,633	2.06%
PETRO VIETNAM FERTILIZER CO	1,596,217	1.56%
IMEXPHARM	1,571,456	1.53%
GILIMEX	1,451,237	1.42%
ABCO	1,252,176	1.22%
BIBICA	1,258,446	1.23%
HORUCO	1,135,728	1.11%
TRANSIMEX	1,001,351	0.98%
BIMICO	761,632	0.74%
DA HOA AN	761,241	0.74%
COC SAU	575,977	0.56%
NUI NHO	500,561	0.49%
MEKOPHAR	422,765	0.41%
PHA LAI THERMAL	416,566	0.41%
THONG NHAT RUBBER	385,262	0.38%
VINH HOAN	316,144	0.31%
PETRO VIETNAM DRILLING	282,942	0.28%
VIDIPHA	279,570	0.27%
VEDAN	142,124	0.14%
INTERFOOD	95,706	0.09%
SAVIMEX	6,491	0.01%
	100,724,830	98.37%

NOTES TO THE INTERIM ACCOUNTS

1. SHARES IN ISSUE

As at 30 June 2007 there were 7,663,750 ordinary shares of US$ 0.05 each in issue (3 November 2005: 2,763,400; 28 April 2006: 7,663,750).

The financial statements from 1 January 2007 to 30 June 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have neither been audited nor reviewed by the auditors.