VIETNAM
EMERGING EQUITY FUND

Interim Report
for the six months ended 30 June 2008

CONTENTS

CORPORATE INFORMATION

General

Vietnam Emerging Equity Fund Limited ("the Company") is a closed-end investment company incorporated in the Cayman Islands under the Companies Law, Cap. 22 (Revised) as an exempted company with limited liability.

Certificate of incorporation: CD-152440.

Directors

Philip Smiley, Chairman (not re-elected 19 June 2008)
Yvo Gisler, Chairman (appointed on 27 August 2008)
Christopher Vale (not re-elected 19 June 2008)
Tony Jordan (not re-elected 19 June 2008)
Gregory Hazlett (not re-elected 19 June 2008)
Stanley Chou (appointed on 19 June 2008)
Stefan Steiner (appointed on 19 June 2008)

Secretary and Registered Office

CARD Corporate Services Ltd
4th Floor, Zephyr House,
122 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

Auditors

PricewaterhouseCoopers (Vietnam) Ltd.
4th Floor, Saigon Tower,
29 Le Duan 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

Custodian

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

Legal Adviser to the Company

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

Placing Agent and Dealing Enquiries

PXP Capital Markets Limited
PO Box 957,
Offshore Incorporations Centre,
Road Town, Tortola,
British Virgin Islands
info@pxpcm.com

Website
www.pxpam.com

RESPONSIBILITY STATEMENT

For the period 1 January 2008 to 30 June 2008

As required under the Transparency Directive, to the best of our knowledge:

The condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), comply with IAS 34 ("Interim Financial Reporting") and give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company.

The Interim Management Report includes a fair review of:

- Important events that have occurred during the first six months of the year;
- The impact of those events on the financial statements; and
- A description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Details of any material related party transaction.

Yvo Gisler
Chairman

29 August 2008

INTERIM MANAGEMENT REPORT

For the period 1 January 2008 to 30 June 2008

At the AGM of the Company, held on 19 June, 2008, in Ho Chi Minh City, Vietnam, four out of five of the former Directors were not reelected. The only reelected Director was Stanley Chou. Two new Directors have accepted their election to the Board: Mr. Stefan Steiner and Dr. Yvo Gisler. Unfortunately, the minutes of the AGM were only released on 25 August 2008, and therefore the appropriate notifications to the Irish Stock Exchange and registration of the Board changes in the Cayman Islands have only been made in the last few days.

The Board of Directors, in its new composition, did not have the opportunity yet (due to the reasons mentioned above) to fully familiarize itself with the Company. The Board of Directors is, however, concerned about the disappointing performance of the Company in the first half of the year and is evaluating what measures could be taken, if any, to improve the situation.

Yvo Gisler
Chairman

28 August 2008

REPORT OF THE INVESTMENT MANAGER

During the period under review the Company's net asset value (NAV) per share decreased by 63.25%, from US$11.725 to US$4.309. This compares to a fall in the Viet Nam Index (VNI) of 57.96% in US$ terms over the same period.

The first half of 2008 was the most challenging in the 8-year history of the Vietnam stock market. Although the magnitude of the fall was not as severe as the approximately 77% fall from 571 to 130 points in the period from June 2001 to October 2003 the speed of decline was far greater, and given that the market at that time was less than 2% of its current size in terms of market capitalisation the pain has been endured by a substantially broader investor base.

As the Chairman has remarked, the Fund's performance over the period under review has been most disappointing after a solid comparative return in 2007. We would point out that this is a market which spent a large part of the period in virtual freefall, with three of the six subject months (February, March and May 2008) experiencing negative returns in excess of 20%. The market also fell by over 12% in June 2008 before bottoming on the 20th and rebounding to finish the month down only 3.55%. The relative underperformance can, we feel, be explained to a large extent by the nature and focus of its portfolio, with in excess of 40% of its net assets in stocks which are at the foreign ownership limit. As the market collapsed, support, where it manifested itself at all, came in the main from foreign investors and that interest was largely responsible for determining the relative outperformers both on the way down and into the bounce as buying became more aggressive at the end of June and into July 2008. The stocks which foreigners were unable to buy were therefore not able to benefit as the undoubtedly continuing interest in them was unable to find an outlet (or, more accurately, an inlet).

The Saigon Brewery (SABECO) auction in January 2008 suffered from an increasingly apathetic attitude towards equities from domestic investors, the liquidity withdrawal from Vietcombank's auction and a high base price of around 72 times 2008 estimated earnings based on the figures in the prospectus. As a result, the auction was only 61.1% subscribed. These poor subscription rates for SABECO's auction and rumours that some of the successful smaller bidders at the Vietcombank auction were likely to forfeit their deposits and not take up their shares compounded the negative sentiment in the market such that by 24 January 2008 the VNI had fallen 17.57% during the month. Thereafter, it recovered a little to end the month down 8.94%. February saw further declines, the steepest of which were caused by the near panic that followed the State Bank's (SBV) surprise announcement on Friday 15 February of a mandatory VND 20.3 trillion (US$ 1.26 billion) bond that forty one credit institutions would be forced to take up on the 17 March 2008. Investors viewed this forced removal of liquidity from the banking sector as negative and the market fell 18.8% the following week. The SBV's main objective was to cool the property market. This was was achieved as credit, previously available to developers and buyers, evaporated. In addition, the interbank market froze causing interest rates to reach, at one point, 42%. This led to a scramble for cash resulting in deposit rates rising to 14.2%.

The following Monday, 25 February 2008, the market bounced 4.07% on the news that the SBV had pumped an estimated US$ 3 billion into the interbank market in order to restore confidence. This bounce was also influenced by positive comments from the head of the State Securities Commission (SSC), Dr. Vu Bang, who suggested, amongst other things that the foreign room for listed banks should rise from 30% to 33% - 35%, for unlisted companies to 40% and that the SBV should increase buying foreign currencies for a period of at least one month - preferred sources of buying being from overseas remittances, direct investment, and long–term strategic investment into the securities market. However, the recovery was halted as the Government removed fuel subsidies on the same day, leading to an 11% rise in the cost of fuel at the pumps. This resulted in heightened inflation fears and concerns that the SBV would introduce additional tightening measures to reduce liquidity. Consequently, the market experienced an 18.4% fall over the following seven business days as increasing amounts of margin related positions were unwound. In reaction, the Ministry of Finance (MoF) announced that the State Capital Investment Corporation (SCIC) would map out plans to buy listed shares in a bid to arrest this rapid descent. In addition, the Government said it would establish a fund in the future designed to stabilize the market. In private, banks were instructed to temporarily slow down the unwinding of margin related positions. These actions had the desired effect, restoring confidence, albeit temporarily, and the market rose over the following three days. Thereafter, the market remained more or less flat until 14 March 2008 when it began a steep decline over eight consecutive days. Much of this was due to mounting suspicion that the SCIC was not buying shares in the open market but was instead buying blocks of shares in the after-market put-through session, much of which originated from banks selling margin related positions. This policy did reduce the amount of stock offered during the first three sessions and, thus, downside pressure. However, the discriminatory nature of such action quickly damaged retail investor confidence as they were prevented from selling stock to the SCIC and on-market bids were scarce. Added to these worries were rumours surrounding the activities of at least one of the listed local brokers and related parties. A cynical view of “no smoke without fire” seemed to prevail and noticeably large amounts of the stock were offered throughout the eight day decline with little being traded. The market fell to a year-to-date low of 496.64 on the 25 March 2008, its lowest closing level since 31 August 2006. The same day the SSC stepped in and reduced the Ho Chi Minh City Stock Exchange’s (HoSE) daily trading band from 5% to 1% and the Hanoi Securities Trading Centre’s (HaSTC) from 10% to 2%, effective two days later. This proved successful as the rapid downside moves were curtailed albeit at the expense of liquidity, which fell significantly. As a result, the market began to edge limit up for the remaining days of the month ending at 516.82, and continued to rally up until the 9 April 2008. The widening of the trading band to 2% at the HoSE and 3% in Hanoi on 7th April halted the slow-motion upward trend and the VNI drifted for the remainder of the month finishing a little over 1% up on the month, by no means a strongly positive reaction after two consecutive 20-plus per cent monthly falls, but a welcome breather.

As we moved into May the macro-economic picture came into sharp focus with a widening trade gap and no let-up in the acceleration of the annual rate of inflation and so the index resumed its downward spiral, falling a further 20.7% on the month and another 12% by 20 June 2008. The absence of government comment on the situation had caused widespread concern as recently interested external commentators on Vietnam misinterpreted the silence as a sign that the government was paralysed by a lack of knowledge of what needed to be done to shore up economic defences. In fact, the National Assembly was in closed-door session and, as is traditional in Vietnam during such meetings did not comment publicly on any matters until their business was complete, but the damage to confidence was done. A variety of economic commentaries of widely contrasting quality and depth of research by the mainstream international investment banks served only to panic local investors, particularly when relatively small adjustments to the currency and interest rates only moderated external opinion from “the government isn’t doing anything” to “the government isn’t doing enough”. A technical error in the trading platform at the HoSE, leading to a 3-day closure of the market from 27 to 29 May was also interpreted as further evidence of panic rather than being taken at face value with the realisation that if the government truly believed that closing the market to stop in going down would be effective then the technical problems might also somehow have also spread to Hanoi.

A welcome move to fuller disclosure of economic data such as the balance of payments and foreign currency reserves – previously considered state secrets - was also ignored as investment banking vultures circulated the supposed carrion of the Vietnam economy. We felt at the time that the government must have been somewhat bemused by such a reaction; although relatively frank and open meetings were held with various economists, at no stage did anyone ever imply that the commentators were to be handed the keys to the kingdom and the traditional, conservative Vietnamese approach to the development of its economy – take small steps and assess their impact before taking more steps - is not radically different from the US approach to interest rate management over the past decade. In any event, people eventually started to realise that whilst the vast majority of local market commentators were entertaining themselves trying to pick the bottom of the market, actually committing some cash was far more likely to result in substantial gains once the market reversed direction, which it duly did two days after the daily trading bands were increased to 3 and 4% respectively on 19 June 2008 as the realisations kicked in that the index had fallen back to levels previously seen 3 weeks after the Merrill Lynch “10-year buy” report was published in February 2006, and that single digit forward price earnings ratios in an economy that, although slowing, is still one of the fastest developing in the world probably has some upside potential over the long-term.

The Viet Nam Index bottomed on 20 June 2008 at and has bounced % from that point with a 13.1% rally in July 2008 and a 19.44% surge in August 2008. Although the Fund’s NAV recovery was slower than that of the index in July for the reasons detailed above, we estimate that August has been substantially more encouraging.

During the period under review 15 companies listed on the HOSE, taking the total number of listed companies on the HOSE at the end of June 2008 to 153 companies with a combined market capitalisation of US$ 9.96 billion.

The HaSTC followed a similar pattern, falling 66.02% in US$ terms over the period under review. It continues to post negotiated transactions only and remains less liquid than the HOSE - average daily turnover for the period under review was US$ 10.40 million compared with US$ 34.54 million for the HOSE. Although we continue to remain largely on the sidelines for the moment with only two Hanoi-listed holdings 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 more interesting listings and significant investor participation.

For the moment the equitisation process remains moribund whilst awaiting a more realistic approach to pricing particularly given the relative attractiveness of listed stocks. We do not feel that the pipeline is likely to provide any interesting flow until renewed confidence in equities has had time to prove that it is not just a short-term phenomenon and would, in any event, like to see the listing of at least Vietcombank in the short-term in order to light the path from auction to listing within a reasonable period of time. 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 not only desirable but achievable once reason prevails. The new OTC trading platform which is now expected to begin operations sometime before the end of 2008 will help improve the transparency of certain unlisted stocks through the regular announcement of results and pricing indicators.

ECONOMY

The Vietnamese economy continued to grow during the 1H 2008, albeit at a slower pace compared with the same period last year. The real Gross Domestic Product (GDP) growth rate for 1H 2008 reached 6.5% versus the 7.9% recorded in 1H 2007. GDP growth in Q1 2008 remained strong at 7.4%, however it fell significantly in Q2 2008 to an implied 5.6%.

The main causes of this slowdown, particularly during Q2 2008, were the increasingly strong actions taken by the Government since beginning of the year designed to stem the rapidly rising trade deficit and inflation. Both of these began to accelerate during 2H 2007 and further increased pace during Q1 2008. By the end of 2H 2008 the trade deficit had reached US$ 14.78 billion, 209% higher than that of 1H 2007. The main reason for this was the rapid rise in imports which during 1H 2008 grew 60.8% (1H 2007 +30.4%), reaching US$ 44.50 billion. This was largely due to the continued importation of capital generating machinery (US$ 6.95 billion), the rise in price and volume of imported export components, fuel (as of January 2008 Vietnam became a net importer of oil), commodities (a portion of which was speculative) and gold (Vietnam was the largest importer of gold in the world during Q1 2008). In addition, automobile imports rose dramatically to become the sixth largest import.

Inflation during 1H 2008 reached 18.44% year-to-date and 26.80% year-on-year. There is no doubt that last year's rise in liquidity, caused by high levels of foreign investment and increased credit, helped play a part. However, we believe that the rise in the price of food, which has a Consumer Price Index (CPI) weighting of 42.9%, had a stronger influence, as did the rise in the value of imported commodities. Food alone rose 30.73% during 1H 2008, much of which can be attributed to domestic supply shocks caused by diseases such as blue ear (swine), the external rise of rice prices and imported food, both raw ingredients and finished products. Added to this was the rising cost of imported commodities, such as refined oil and related products (the Government raised the price of petrol by 11.5% on 25 February 2008, effectively removing the fuel subsidy at that time) and steel. The rising price of such imports was further compounded by the VND's crawling peg against the US$.

The Government's main actions designed to tackle these and related issues were and continue to be a combination of fiscal and monetary tightening.

During Q1 2008 the Government began to rein in State and State-owned enterprise (SOE) expenditure, concentrating on non-vital infrastructure projects and instructing SOEs not to veer too far from their core business activities. In addition, in March 2008 the Government placed temporary price caps on ten essential goods, including petrol, electricity, coal, water, public transportation, cement, steel, school fees and hospital fees until July 2008. The Government also introduced measures to boost the exports of textiles, garments, footwear and aqua product producers through the provision of foreign currency loans and reduce imports by raising import taxes.

The SBV spent much of its energy reducing liquidity within the banking system through measures such as; raising bank reserve requirements from 8% for US$ and 5% for VND to 10% for both and then again to 11%; raising the prime rate several times from 8.25% to 14%; setting a credit growth cap of 30% for banks during 2008; and increasing the number of bills, albeit with little success, which led to the mandatory US$ 1.26 billion bond issue announced in mid-February. This bond was primarily aimed at cooling the property market which had risen dramatically post June 2007. It is interesting to note that one of the reasons behind this rapid rise in property values was possibly linked to the State Bank’s decision to cool the stock market back in June 2007. The SBV instructed banks to reduce their lending exposure to securities to no more than 3% of loans by December 2007. Many banks were at much higher levels. Instead of reducing their exposure to securities many banks simply increased their loan book. This played a large part in the estimated 50% rise in credit growth in 2007, much of which headed towards real estate.

The initial effect of these policies was twofold. First, Vietnam witnessed strong asset deflation which began in February 2008, in particular the stock market and property. The rapid decline in the value of these two asset classes was largely triggered by the mandatory bond announcement which sent investors fleeing. This also had a strong effect on the interbank market which froze in reaction, sending interbank rates as high as 42%. Later on, as liquidity dried up and interest rates rose the debt market also collapsed. The second effect was the significant fall in GDP growth in Q2 2008 caused by the reduction in SOE and State spending and the reduced credit available for property developers and buyers. This effectively brought construction to a halt, which, in turn, had a negative effect on GDP growth in Q2 2008.

During May 2008 another problem emerged. In reaction to the rapid rise in the trade deficit and inflation many offshore commentators began to write reports predicting a distinctly gloomy economic scenario. The general theme was that the “guesstimated” FY 2008 trade deficit, derived from extrapolating the year-to-date trade deficit figure, was of such significance that it would not be covered by non-trade remittances. This would lead to a massive current account deficit, a balance of payments crisis, a complete evaporation of the country’s foreign exchange reserves and a subsequent devaluation of the VND by 39%, as was being implied by offshore non-deliverable forwards (NDF). This problem was compounded by the same commentators guessing the current account, balance of payment and foreign exchange reserves figures which at the time were effectively closely guarded State secrets. The Government took time to respond since it was attending the National Assembly (NA) meeting throughout all of May 2008 which, in turn, saw the number of offshore reports increase in number towards the end of May. As a result, their negative conclusions had a detrimental effect on local and, to a certain extent, foreign investors who, out of fear, began to dump the VND in favour of the US$. This resulted in the black market exchange rate reaching as high as VND 19,000 : US$ 1. Only after the NA meeting finished did the Government address these issues and it was quick to reveal the true economic indicators previously never released; balance of payments as at the end of Q1 2008 recorded a surplus of US$ 2.993 billion; and the foreign exchange reserves towards the end of Q2 2008 were around US$ 22 billion. These revealed a much stronger economy than had been portrayed in the offshore reports, resulting in investors’ nerves being calmed. In addition, the SBV provided a compromise token devaluation of 2.00% on 10 June 2008. It did not take too long for the black market rate to fall back close to the rates offered within the banks.

The desired effects of the Government’s tightening policy began to bear fruit towards the end of Q2 2008. The monthly trade deficit declined significantly from its peak of US$ 3.284 billion in March 2008 to US$ 1.906 billion in May 2008, US$ 736 million in June 2008 and an estimated US$ 800 million in July 2008. Inflation also came off its monthly peak in May 2008 when it reached 3.91%. In the months that followed the monthly inflation rate declined to 2.14% (June 2008), 1.13% (July 2008) and 1.56% (August 2008).

Whilst the rise in the trade deficit and inflation grabbed all the attention during 1H 2008, the main drivers of the economy remained robust. Foreign direct investment (FDI) achieved record levels. Newly licensed FDI during the first seven months of 2008 reached US$ 44.5 billion (FY 2007, US$ 17.9 billion) and disbursed FDI for the first seven months of 2008 reached US$ 6.0 billion (FY 2007, US$ 8.0 billion). Exports continued to grow during the first seven months of 2008 reaching US$ 36.9 billion, up 37.7% on the same period in 2007. There were signs that the private sector continued to prosper as retails sales rose 29.8% during the first seven months of 2008 versus the same period in 2007. In addition, private sector industrial production 1H 2008 grew 22.3% (1H 2007, 20.5%).

The Vietnamese economy has experienced noticeable pain in 2008 caused by the excesses of 2007 and global inflation. However, the Government has reacted well so far with an increasingly strong policy of monetary and fiscal tightening. It has realised that some growth will have to be sacrificed in order to help cure the current economic woes and as such has sensibly adjusted growth expectations by lowering the GDP growth target for 2008 from between 8.5% to 9.0% to between 6.5% and 7.5%. It is hoped that the Government maintains these strong monetary and fiscal policies, yet without putting the brakes on vital infrastructure requirements, and is not tempted to loosen these policies after only a few months of positive results. This is particularly important in light of other potential difficulties on the horizon such as a potential slowdown in both Europe and the USA which may have negative effects on exports and future FDI flows, both new commitments and disbursements. Whilst the macro-economic problems seem to be heading in a positive direction there is still a threat of some micro-economic problems, in particular relating to the banking sector and the potential rise in non-performing loans relating to property. However, as we write this report signs are emerging that the property market is beginning to pick up as more transactions are being recorded and new projects are being sold once again.

STRATEGY

The Fund's exposure to stocks which are at the foreign ownership limit has created a portfolio which it is not possible to replicate *at any price* under the regulations currently in force in Vietnam. Whilst this concentration has led to some *short-term* underperformance in comparison to the Viet Nam Index, we would reiterate in the strongest possible terms that this is a portfolio constructed with a view to delivering superior *long-term* performance. The recent sale by International Finance Corporation of most of its holding in Asia Commercial Bank at a 50% premium to the then prevailing market price (albeit with special dispensation to deal outside of the daily trading band to which the rest of us are subject) would, in our humble opinion tend to corroborate our view. In very simplistic terms, a 50% premium for 40% of the portfolio would cause a 20% uplift in Net Asset Value and whilst we are all rightly disappointed with a 5.3% shortfall (net of fees and expenses) in comparison with the VNI in the first half of 2008 we are confident that this underperformance will not persist if we are permitted to continue to manage the Fund in accordance with the terms on which we were appointed to do so.

PXP Vietnam Asset Management Limited
Ho Chi Minh City

29 August 2008

VIETNAM EMERGING EQUITY FUND LIMITED

CONDENSED BALANCE SHEET
(UNAUDITED)

	Note	As at 30 June 2008 US$	As at 31 December 2007 US$
ASSETS			
Financial assets at fair value through profit or loss	3	36,994,537	96,712,520
Receivables		105,296	209,317
Cash and cash equivalents		205,959	255,733
Total assets		37,305,792	97,177,570
LIABILITIES			
Accrued fees and other payables	6	4,284,450	7,317,819
Total liabilities		4,284,450	7,317,819
Net assets		33,021,342	89,859,751
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Ordinary shares	4	383,188	383,188
Share premium	4	45,649,918	45,649,919
(Cumulative losses) / retained earnings		(12,823,043)	43,939,285
Cumulative translation reserve		(188,721)	(112,640)
Total equity		33,021,342	89,859,751
Net asset value per share	5	4.309	11.725

VIETNAM EMERGING EQUITY FUND LIMITED

CONDENSED INCOME STATEMENT
(UNAUDITED)

	Note	Six month period to 30 June 2008 US$	Six month period to 30 June 2007 US$
Income			
Interest income		1,653	111,957
Dividend income		973,120	511,312
Net (losses) / gains on financial assets at fair value through profit or loss	3	(56,999,001)	25,332,478
Total net (losses) / income		(56,024,228)	25,955,747
Expenses			
Management fees	6	606,973	911,669
Performance fees	6	-	3,740,984
Custodian fees		46,864	45,382
Secretarial and administration fees		4,322	3,152
Securities expenses		6,560	43,661
Directors' fees	6	24,932	24,932
Other operating expenses		48,449	106,651
Total operating expenses		738,100	4,876,431
(Loss) / profit before tax		(56,762,328)	21,079,316
Income tax expenses		-	-
Net (loss) / profit		(56,762,328)	21,079,316
(Losses) / earnings per share for (loss) / profit attributable to the shareholders of the Company			
- basic	5	(7.407)	2.751

VIETNAM EMERGING EQUITY FUND LIMITED

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

	Ordinary shares US$	Share premium US$	Retained earnings / Cumulative losses US$	Cumulative translation reserves US$	Total US$
Balance at 1 January 2007	383,188	45,649,918	26,070,577	(32,009)	**72,071,674**
Net profit for the 6 month period to 30 June 2007	-	-	21,079,316	-	**21,079,316**
Currency translation differences	-	-	-	(102,158)	**(102,158)**
Balance at 30 June 2007	383,188	45,649,918	47,149,893	(134,167)	**93,048,832**
Balance at 1 July 2007	383,188	45,649,918	47,149,893	(134,167)	**93,048,832**
Net loss for the 6 month period to 31 December 2007	-	-	(3,210,608)	-	**(3,210,608)**
Currency translation differences	-	-	-	21,527	**21,527**
Balance at 31 December 2007	383,188	45,649,918	43,939,285	(112,640)	**89,859,751**
Balance at 1 January 2008	383,188	45,649,918	43,939,285	(112,640)	**89,859,751**
Net loss for the 6 month period to 30 June 2008	-	-	(56,762,328)	-	**(56,762,328)**
Currency translation differences	-	-	-	(76,081)	**(76,081)**
Balance at 30 June 2008	383,188	45,649,918	(12,823,043)	(188,721)	**33,021,342**

VIETNAM EMERGING EQUITY FUND LIMITED

CONDENSED CASH FLOW STATEMENT
(UNAUDITED)

	Six month period to 30 June 2008 US$	Six month period to 30 June 2007 US$
Cash flows from operating activities		
Purchase of financial assets	(2,187,335)	(21,884,384)
Proceeds from sale of financial assets	2,837,248	22,138,445
Dividends received	927,427	551,850
Interest received	1,612	111,981
Operating expenses paid	(1,532,921)	(1,363,807)
Net cash generated from / (used in) operating activities / Increase / (decrease) in cash and cash equivalents	46,031	(445,915)
Cash and cash equivalents at beginning of period	255,735	3,165,729
Currency translation differences	(95,806)	(76,701)
Cash and cash equivalents at end of period	205,960	2,643,113

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

This condensed interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards.

This condensed interim financial information has neither been audited nor reviewed by the auditors.

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007.

The following new interpretations to standards are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Company:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions';
- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is being assessed by the Company's Investment Manager.

- IAS 23 (amendment), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Company.

- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Company.

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. These amendments are not relevant to the Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

2. ACCOUNTING POLICIES (CONTINUED)

- IAS 1 (amendment), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This amendment will result in changes to the presentation of the financial statements of the Company. Management will develop proforma accounts under the revised disclosure requirements of this standard.

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. These amendments are not relevant to the Company, as the Company does not have any puttable instruments.

- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Company.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2008 US$	31 December 2007 US$
Listed equity securities	35,005,331	87,253,868
Pre-listing equity securities	1,989,206	9,458,652
Total financial assets at fair value through profit or loss	36,994,537	96,712,520

	Six month period to 30 June 2008 US$	Six month period to 30 June 2007 US$
Net (losses) / gains in value on financial assets at fair value through profit or loss:		
- Realised gains on sale of investments	1,423,046	8,706,718
- Unrealised (losses) / gains	(58,422,047)	16,625,760
	(56,999,001)	25,332,478

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The investment portfolio as at 30 June 2008 was as follows:

Company	Valuation as at 30 June 2008 US$	% of Net Assets
SACOMBANK	4,290,538	12.99%
VINAMILK	3,767,059	11.41%
CABLE & TELECOM	1,699,695	5.15%
GEMADEPT	1,664,614	5.04%
AGIFISH	1,648,172	4.99%
REFRIGERATION ELECTRICAL ENGINEERING	1,485,376	4.50%
VIETCOMBANK	1,474,776	4.47%
SAO MAI	1,319,109	3.99%
BIMICO	1,318,545	3.99%
NORTH KINHDO FOOD	1,315,060	3.98%
BINHMINH PLASTICS	1,276,263	3.86%
NAVICO	1,211,168	3.67%
PETRO VIETNAM FERTILIZER CO	1,143,485	3.46%
DUOC HAUGIANG	1,097,305	3.32%
IMEXPHARM	1,068,407	3.24%
VIET FUND 1	926,188	2.80%
NUI NHO	881,422	2.67%
BENTRE AQUAPRODUCT	836,597	2.53%
SOUTHERN SEED	831,020	2.52%
ELIPSIZ	779,178	2.36%
GILIMEX	756,821	2.29%
TRUONG THANH FURNITURE	656,050	1.99%
TRANSIMEX	609,191	1.84%
FIMEX	553,860	1.68%
MEKOPHAR	526,520	1.59%
COC SAU	483,488	1.46%
VIDIPHA	424,265	1.28%
BAO VIET SECURITIES	412,360	1.25%
ABCO	409,761	1.24%
BIBICA	341,895	1.04%
DA HOA AN	307,629	0.93%
HORUCO	266,203	0.81%
INTRESCO	260,900	0.79%
THONG NHAT RUBBER	188,087	0.57%
HOA PHAT GROUP	156,152	0.47%
PETRO VIETNAM DRILLING	149,782	0.45%
VINH HOAN	108,649	0.33%
VN ELECTRICITY CON	97,962	0.30%
DONG PHU RUBBER	80,574	0.24%
VEDAN	76,187	0.23%
PHA LAI	68,128	0.21%
INTERFOOD	26,097	0.08%
	36,994,537	112.03%

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

4. SHARE CAPITAL

	Number of shares	Ordinary shares US$	Share premium US$	Total US$
Balance at 1 January 2007, 30 June 2007, 1 January 2008 and 30 June 2008	7,663,750	383,188	45,649,918	46,033,106

The Company's authorised share capital is 10,000,000 ordinary shares with a par value of US$0.05 per share. As at 30 June 2008 there were 7,663,750 ordinary shares in issue. These 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 30 June 2007, Citivic Nominees Limited held interest in 79.60% of the Company's ordinary shares (31 December 2007: 79.53%).

5. NET ASSET VALUE PER SHARE AND EARNINGS PER SHARE

	30 June 2008	31 December 2007
Net asset value – US$	33,021,343	89,859,751
Number of shares in issue	7,663,750	7,663,750
Net asset value per share – US$	4.309	11.725

	Six month period to 30 June 2008	Six month period to 30 June 2007
Net (loss) / profit for the period – US$	(56,762,328)	21,079,316
Number of shares in issue	7,663,750	7,663,750
(Losses) / earnings per share – US$	(7.407)	2.751

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 or loss for the period attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the period. During the six month period to 30 June 2008, 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 condensed financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

6. 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 six month period ended 30 June 2008 amounted to US$606,973 (six month period ended 30 June 2007: US$911,669). Outstanding accrued management fee to PXP Vietnam Asset Management Limited as at 30 June 2008 was US$62,495 (31 December 2007: nil).

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. No accrual has been made for performance fee for the six month period ended 30 June 2008 (six month period ended 30 June 2007: US$3,740,984). Outstanding performance fee as at 30 June 2008 was US$4,025,744 (31 December 2007: US$5,025,744).

PXP Vietnam Asset Management Limited holds 95,455 shares in the Company as at 30 June 2008 (31 December 2007: 95,455 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$24,932 has been made for directors' fees for the six month period ended 30 June 2008 (six month period ended 30 June 2007: US$24,932). No fees were paid out to directors during the six month period ended 30 June 2008. Accrued directors' fees as at 30 June 2008 was US$95,014 (31 December 2007: US$70,082).

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 30 June 2008 (31 December 2007: 1,800,000 shares).