

**DWS Vietnam Fund Limited**

**Consolidated Interim Unaudited Report  
for the six months ended  
30 June 2008**

**Deutsche Asset Management**  
**Deutsche Bank Group**



# DWS VIETNAM FUND LIMITED

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# **DWS VIETNAM FUND LIMITED**

## **GENERAL INFORMATION**

The following information is derived from and should be read in conjunction with the full text and definitions section of the Prospectus dated 17<sup>th</sup> November 2006.

DWS Vietnam Fund Limited (the "Company") was incorporated in the Cayman Islands on 13 September 2006 under the Companies Law, Cap. 22 (Revised) of the Cayman Islands as an exempted company with limited liability.

The Company is a closed-end investment company, with an authorised share capital of US\$500,000,000, consisting of 500,000,000 Shares of par value of US\$1.00 each. The Company is listed on the Irish Stock Exchange.

The Company's assets are managed by the Investment Manager and are subject to the supervision of the Board. The Investment Manager may, in its discretion, appoint any number of Sub-Investment Advisors and Segregated Fund Managers. All investments made on behalf of the Company, whether by the Investment Manager or by a Segregated Fund Manager, comply with all investment objectives, policies and restrictions of the Company.

## **INVESTMENT MANAGEMENT ARRANGEMENTS**

The Company is managed by Deutsche Asset Management (Asia) Limited pursuant to the Investment Management Agreement, dated 15<sup>th</sup> November 2006. The Investment Manager makes investment decisions based on its knowledge of the Vietnamese securities and investment market in accordance with the investment policies, objectives and restrictions of the Company.

## **CUSTODIAN**

The Company has appointed State Street Custodial Services (Ireland) Limited as Custodian of its assets, other than its assets located in Vietnam or assets located in any other jurisdictions which require assets to be held by a local custodian, pursuant to the Custodian Agreement. The Custodian and any Sub Custodian appointed by the Custodian provides safe custody for the Company's assets that can be legally held outside of Vietnam. The Investment Manager ensures that adequate custody arrangements have been entered into by any fund in which the assets of the Company are invested.

The Custodian, and any other duly appointed sub-custodian holds all assets of the Company received by the Custodian in accordance with the terms of the Custodian Agreement. Under the Custodian Agreement, the Custodian acknowledges that investments of the Company made in markets where custodial and/or settlement systems are not fully developed, such as Vietnam, and that the assets of the Company and its subsidiaries which are traded in such markets are required to be held by local sub-custodians operating and established in such jurisdictions.

## **DIVIDENDS**

It is not the current intention of the directors to pay dividends to the Shareholders.

## **SHARES**

The Shares constitute the only class of shares in the Company. All Shares have the same rights, in relation to voting, dividends, return of share capital and other matters as set out in the Articles of Association.

# DWS VIETNAM FUND LIMITED

## STATEMENT OF DIRECTORS RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of these consolidated 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.


The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards and the listing rules of the Irish Stock Exchange. The Directors are responsible for ensuring that the financial statements give a true and fair view.

They are also responsible for safeguarding the assets of the Company and in fulfillment of this responsibility, they have entrusted the assets of the Company to the Custodian for safekeeping in accordance with the Memorandum and Articles of Association of the Company. The Directors are responsible for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

### **The Interim Management Report includes a fair review of:**

- Important events that have occurred during the first six months of the year;
- The import 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 transactions are disclosed in note 16 to the financial statements.

On behalf of the Board of Directors.



Stephen Duerden  
Director

# **DWS VIETNAM FUND LIMITED**

## **Investment Manager's Report for the six months ended 30 June 2008**

### **INVESTMENT OBJECTIVE**

The primary investment objective of the Company is to seek long-term capital appreciation of its assets by investing directly or indirectly in a diversified portfolio of securities such as equity and debt instruments of entities that do some or all of their business in Vietnam.

### **Status Update – First Six Months**

The NAV at the end of June 2008 for the DWS Vietnam Fund ("Fund") was 0.59, down from 0.99 at the end of 2007. The Fund's NAV is down 40% year to date.

The performance of the equity and debt markets during this period have been very disappointing and subsequently the Fund NAV has been impacted. Relative to its Vietnam country sector focused peers<sup>1</sup>, the DWS Vietnam Fund is the second best performing closed end fund year to date on an NAV basis<sup>2</sup>. The Fund Manager's ("FM's") strategy of building a diversified portfolio of assets in a prudent and patient manner over the past 18 months is now starting to deliver in terms of the Fund's performance in comparison to its peers.

In the global capital markets, the first half of 2008 has been a particularly tough time for investors. The fundamentals of the world's financial markets have been shaken, rocked from one sub prime fallout to the next. Vietnam, for somewhat different reasons, has also experienced a downturn during this period, with both the debt and equity markets experiencing a significant fall in the first half of the year. Vietnamese equity markets are down over 57% as at the end of June<sup>3</sup>. The debt markets have not performed any better, with the yields on 1 year government bonds moving from 7.8% at the end of December 2007 to over 21% as at the end of June.

It is the opinion of the FM that the poor performance of the Vietnamese debt and equity markets during the past six months was a consequence of over exuberance in the markets in 2007. Throughout much of 2007 asset prices were inflated and not at a sustainable level. Due to weak economic data at the start of the year i.e. surging inflation, an expanding trade deficit and an increased risk of sharp currency devaluation, the equity and debt markets experienced a sharp sell off. The FM believes that much of the sell off during this period has been panic selling by retail investors with negligible fundamental analysis and that the markets are now trading at levels that are very attractive.

### **Portfolio Manager's Commentary**

After the fall that the domestic markets have experienced in the first half of the year, the FM expects the markets to stabilize and to begin returning to positive territory in the second half of the year due to an improvement in the current account and a slow down in the pace of inflation growth.

The FM expects the current account imbalance to improve as a consequence of the government's fiscal and monetary policies slowing the domestic economy. In addition to raising reserve requirement ratios and interest rates, the central bank has also imposed a 30% limit on loan growth for 2008. This may continue to exert upward pressure on domestic yields. However, with domestic bond yields at about 20%, bonds look attractive. Government policies should also help to stabilize the currency in the second half of the year. The tightened credit conditions have led to weakness in the real estate market and a slowdown in the economy. As a result, the official GDP growth forecast for 2008 has been revised down to 7% from 9%.

<sup>1</sup> We define our peers as Funds with a similar size and strategy as us. In our peer group there are in total ten funds, managed by; PXP AM, Prudential AM, Dragon Capital, Indochina Capital & Vinacapital.

<sup>2</sup> CLSA, Rothschild

<sup>3</sup> Bloomberg

## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Portfolio Manager's Commentary Cont/d**

Much of the high inflation in Vietnam may be attributed to rising food and commodity prices. The FM expects the pace of acceleration in inflation to slow in the second half of the year, but inflation will likely remain at relatively high levels in the coming months due to the impact of increased domestic oil prices following the lifting of the oil subsidy in July. The inflation numbers are expected to stabilize on the back of reduced food prices, due to a bumper rice harvest. June CPI numbers increased 2.1% month on month, down from a peak of 3.5% month on month growth for May.

As discussed in the May report, the FM would like to re-iterate that in the long-term, Vietnam remains an attractive destination for foreign direct investments. Vietnam is only now benefiting from a shift in low-cost manufacturing away from China; just like China benefited from a hollowing out of manufacturing from South East Asia countries in the 1990s. The fundamental thesis of Vietnam: i) favorable demographics, ii) low-cost production base, iii) privatization of SoEs, and iv) Government's commitment to promoting private sector enterprises remains fully intact.

#### **Portfolio Analysis**

##### **Listed Equities Review (Onshore and Offshore Listed Equity)**

The Vietnam market has come under selling pressure, with the Ho Chi Minh stock index dropping 57% from January to June 2008. The reasons for the large sell-off have been largely discussed above i.e. a worsening current account coupled with rising inflation fueling concerns and risk aversion in domestic retail investors.

Given the positive performance of the equity markets in 2007, the pace of financial market deterioration in the first half of 2008 caught most investors off guard. In light of slowing demand and rising costs, earnings guidance by most companies has been moderated. Anticipating that profitability of these companies going forward is likely to be hurt by margin compression and higher financing costs, stocks have been sold down. Selling pressure has been heightened by both economic and earnings concerns. Further selling pressure in the market has been a consequence of the credit tightening policies during the period. Many of the domestic retail investors borrowed heavily during 2007, secured against their equity portfolios, to further invest into the equity markets. With the downturn in the equity markets and borrowers inability to re-finance the debt, banks were forced in many cases to sell off the securitized assets i.e. equity portfolios, putting heavy selling pressure on the market.

In such an environment, banks and securities companies have underperformed, given fears of asset quality deterioration and solvency issues. Real estate stocks have also moved out of favour on the prospect of falling capital values. In contrast, blue chip stocks in the consumer, energy and commodity sectors have outperformed as risk aversion has increased.

Our offshore equity holdings such as Fraser and Neave have added value to the portfolio, as they have held up relatively better compared to the domestic equities in the Fund's portfolio. We have taken this opportunity to take profit on selected stocks such as Tainan Spinning and Sanyang Industrial, given their strong out-performance in the market.

## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Outlook**

Going forward, our strategy is to stay with domestic companies with pricing power. This includes Vinamilk which is Vietnam's top dairy producer, a company that has been able to gain market share via superior branding and marketing. In addition, the company has improved its sales mix by launching premium products to protect margins against rising raw material costs. Kinh Do is another company in this space which we like. The Company is a leading confectionary company, with strong distribution channels to market their products.

We also favor PetroVietnam Fertilizer, which has benefited from rising fertilizer prices globally. The importance in the usage of fertilizers has increased as a result of limited agricultural land.

Lastly, we also remain positive on the potential of the energy sector. One of our top stock holdings, Petrovietnam Drilling is well-positioned to tap into the growth prospects in the oil & gas sector. As Vietnam embarks on exploration of its oil fields, we anticipate growth in the company's core business of drilling and well services.

On the other hand, we remain cautious as we have been since the Funds inception on the outlook for companies with a high exposure to the real estate market. The property market is expected to show weaknesses as a result of tighter credit conditions.

Overall we believe that value is starting to emerge after the sell-down in the Vietnam market and hence, the FM will look to accumulate more listed onshore shares in the next 6-12 months.

#### **Fixed Income Review**

Bond yields in Vietnam have increased sharply over the period and this has negatively impacted the price of the bonds. For the Fund, return contribution from bonds for the first six months was -2.9%.

We have seen volatility in the Vietnam interest rate and currency markets over this period, mainly in the second quarter of 2008. Local rates were up sharply with decisive monetary policy tightening by the State Bank of Vietnam in May, on the back of signs of deteriorating macro dynamics; higher-than-expected inflation, deterioration in the trade deficit and weakness in the currency. Increased funding costs among domestic banks and tight liquidity within some parts of the banking system have also contributed to higher domestic yields. The five-year government bond yield stood at 19.7% as at end June 2008<sup>4</sup>.

The external debt papers have also been negatively impacted, as sovereign credit spreads widen, i.e. higher risk premium on the Vietnam sovereign papers. The Vietnamese Dong has declined by 5.2% over the 6-month period based on the officially quoted exchange rates.

<sup>4</sup> Bloomberg

## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Fixed Income Exposure**

The Fund's exposure to the Vietnam fixed income market is primarily through government bonds, external sovereign bonds and a credit-linked note on the underlying domestic government bonds.

The Fund has a small exposure to corporate bonds, which comprises about 3% of the Fund, through the Vietnam Electricity bonds. Established in 1995, Electricity of Vietnam (EVN) is a state-owned corporation that operates in the areas of generation, transmission, distribution and sales of electric power. It is the largest generator and distributor of electricity in Vietnam, and accounts for 80%<sup>5</sup> of the total electricity output. EVN is the dominant player in the electricity industry in Vietnam, and operates essentially as a monopoly over the distribution network. Even at the current reformative stage of the Vietnam economy towards a market economy, EVN is still largely supported by the government, as electricity supply remains an important necessity for an emerging and growing market.

In the second quarter, we reduced the leverage on the structured note (a note that is linked to the domestic interest rate) by taking the domestic cash bonds into the portfolio. The Fund's exposure to the local bonds remained unchanged. We have, however, sold down some of our exposure in the relatively more liquid Vietnam external sovereign debt paper. The Fund exposure to fixed income securities stood at 20.2% as at end June 2008 compared with a 20.9% exposure as at end December 2007. The FM takes a conservative approach by marking the fixed income securities to market on a monthly basis.

#### **Unlisted Equities Investments**

Over the past 18 months, the Fund has completed a number of private, unlisted and PIPE (Private Investment in a Public Company) investments. From this portfolio of companies, four have already listed on the domestic exchange. The FM has defined an exit from our unlisted portfolio as the stage when an unlisted company lists on a liquid exchange, at which point the Fund's listed equity portfolio manager takes responsibility for the stock.

The Fund has completed the following private / unlisted / PIPE investments over the past 18 months:

##### **An-Phat Plastics & Packaging Company**

At the end of December 2007, the fund completed a 2 M USD investment in a leading plastic recycling companies in Vietnam. An-Phat is the largest plastic recycler in North Vietnam, recycling a significant amount of the discarded plastic from the northern part of the country. The recycled plastic is manufactured into bio-degradable plastic bags and re-usable plastic bags for both the domestic and international markets. An-Phat has a significant cost advantage over its domestic competitors that use imported plastic pellets. Recycled plastics pellets produced by An-Phat are manufactured using proprietary technology at a substantial discount to the imported pellets used by their competitors.

An Phat has weathered the recent capital market turmoil in Vietnam quite well, due to ;1) a significant portion of the companies sales coming from the export market (a considerable advantage during a period of deflation in the domestic currency), 2.) a strong balance sheet & 3.) a capable management team that has a tight control over costs.

This year the management team is projecting revenue growth in excess of 40%. Thus far, the company is on target to meet these projections.

<sup>5</sup> HabuSecurities Report, EVN Website



## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Vinaconex Advanced Compound Stone Joint Stock Company "Vicostone"**

On 22nd May this year, the Fund completed an 8.3 million USD negotiated investment in the listed Vinaconex Advanced Compound Stone Company "Vicostone". The investment was structured in two parts, with the fund investing in both direct equity and a convertible debt instrument.

Vicostone is a market leader for natural composite stones, with strong global demand for its products. Vicostone is one of the only two manufacturers in Asia (the other being in South Korea) with a patented manufacturing technology for composite stones. There are only 40 companies globally with licenses to manufacture composite stones with the Breton technology. Breton SpA, the licensing company, is a world renowned equipment manufacturer for composite stones.

Vicostone is a high tech / high quality manufacturer with a strong regional brand name. The company operates in a market with high barriers to entry and a diversified global customer base. Vicostone is currently operating at full capacity, showing an impressive business performance since the current management team took control in 2004. Over the past two years by focusing on cost reduction initiatives and increasing average selling prices, Vicostone has been able to significantly increase Gross Margins and EBIT Margins. The company has a number of new projects in the pipeline to ensure the consistency of quality and price of key raw materials, by securing access to the resources.

#### **Ha Tien 2 Corporation**

In late October 2007, the Fund invested 3.8 million USD in the public auction of shares in Ha Tien 2 Corporation ("HT2"). HT2 is one of the leading producers of cement and clinker in the south of Vietnam, with a 24%<sup>6</sup> market share. Over the past six months the FM has continued to increase the Fund's position in this company via the purchase of equity on the OTC market.

HT2 is an excellent infrastructure play that provides the Fund with an indirect exposure to the construction sector in Vietnam. HT2 has an established distribution network, mainly covering Ho Chi Minh City and the Mekong river delta provinces. The grinding plant is located in the south of the country in close proximity to the source of raw materials, such as clay and limestone.

HT2 has a significant cost advantage over many of its competitors in the south of the country, as it produces enough clinker (clinker being the main raw material used in the production of cement) to meet its internal demand. Many of HT2 competitors do not have the ability to produce clinker and are forced to import it or buy it at spot price in the local market. Raw materials prices have increased significantly over the past six months, in some cases in excess of 15%. This has caused margin contractions for companies that do not control access to their raw materials.

<sup>6</sup> Company Prospectus for IPO 2007

## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Ha Tien 2 Corporation Cont/d**

In order to further increase competitiveness and reduce costs, HT2 is looking to expand its capacity and upgrade its technology. HT2 has plans to invest in 3 major projects over the coming 2 years<sup>7</sup>:

- 1.) A new cement grinding line with a capacity of 500,000 ton/year. Construction work started in 2007 and the station is expected to be completed in fourth quarter 2008.
- 2.) HT2 is investing in a new production line for clinker and cement with a capacity of 4,000 ton clinker/day and 600,000 ton cement/year which is expected to commence production at the beginning of the fourth quarter 2010.
- 3.) HT2 is currently changing production from diesel to coal in order to reduce energy cost. completion of this project is targeted to be in the third quarter 2008.

#### **Saigon Paper Company**

In March 2007, the Fund invested 1.8 million USD in Saigon Paper Corporation "SGP", a leading manufacturer of both household and commercial paper products. SGP has one of the strongest domestic brands in the toilet paper and tissue markets. SGP is currently undertaking a significant expansion program to more than double capacity by the end of 2010.

#### **Bao Viet Insurance Company**

Over the past couple of months the FM has slowly started to invest in Bao Viet Insurance Company "BVI". BVI is the leading domestic insurance company, servicing both the Life insurance and P&C insurance sectors of the economy. BVI's management has shown a clear understanding and capability for brand building with Bao Viet being one of the most recognized brands in the country. BVI is expanding its business into new fields, with the securities operation arm of its business already positioned as a market leader.

BVI held a successful public auction of shares in the state owned company on the 31st May 2007. The average accepted price in the auction was VND 73,900 / share, valuing the company at over 6x Book Value<sup>8</sup>. The Fund failed to pick up shares in this auction as the FM's valuation of the company and the subsequent bid were significantly below the lowest accepted level. Subsequent to the auction, HSBC Insurance paid over \$254 million USD for a 10% stake in the company.

Shares in BVI are currently trading on the over the counter "OTC" market i.e. a secondary unregulated market for shares in companies that have yet to listed on an exchange. As a consequence of the recent market turmoil in Vietnam, BVI's share price on the OTC market has fallen by over 65%, bringing the share price in line with the FM's valuation for the company. As a result the FM has started to invest at these levels.

BVI released full year results for 2007 and Q1 2008 that were in line with analyst's forecasts<sup>9</sup> suggesting that the leader in the insurance sector has weathered the capital market turmoil in the first half of the year better than expected.

<sup>7</sup> Company Prospectus for IPO 2007

<sup>8</sup> SSI Research Report September 2007

<sup>9</sup> Horizon Securities Report May 2008

## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Vietcombank**

The Fund made a USD 26.75 million investment in Vietcombank "VCB" at the end of 2007. Since the Fund's investment, the equity markets in Vietnam have experienced a down turn. Although VCB is not yet listed, shares in the company are trading on the OTC market. The share price of VCB has been significantly impacted by the recent turmoil and liquidity crunch.

However, the FM maintains the perspective that the medium to long term prospects of VCB are very positive. VCB is the second largest Bank in Vietnam by assets and it was the most profitable bank in 2007<sup>10</sup>. The FM expects VCB to participate fully in the development of the Vietnamese economy, with strong growth potential over the coming years. VCB is the market leader in the credit card and payment card business, capturing 33% and 40% market share in debit card issuance and international credit card issuance respectively. This will allow VCB to reap benefits from the increased demand for payment cards facilities going forward.

VCB is in a strong position with its extensive network of branches and strong brand name to further extend its reach into the retail banking and consumer finance space. This is an area in Vietnam with huge potential and VCB is well positioned to be a market leader in this field. Higher international trade upon Vietnam's accession to the World Trade Organization (WTO) is expected to accelerate VCB's expansion into trade financing. Given that trade financing has been the core business focus for the Group since inception, the accelerated growth of trade financing is expected to benefit the Group tremendously.

#### **Performance**

Over the past eight months, four of the private companies that the Fund has invested in have listed on a domestic exchange<sup>11</sup>.

#### **Phu-My Fertilizer**

Phu-My fertilizer is the leading manufacturer and distributor of fertilizer products in Vietnam. The fund invested into Phu My Fertilizer in April 2007. Phu-My fertilizer listed on the domestic exchange in late 2007, at a return of 83% on the Funds investment.

#### **Truong Thanh Furniture "TTF"**

TTF is a leading manufacturer of outdoor furniture, mainly for the export market (Europe and Japan). The fund invested into TTF in June 2007. TTF listed on the domestic exchange in late 2007 at a return of 10% on the Fund's investment.

#### **Namviet Fisheries "Navico"**

Navico is a leading Basa (catfish) processor in Vietnam. The fund invested into Navico in February 2007. Navico listed on the domestic exchange in late 2007 at a return of 14% on the Fund's investment.

<sup>10</sup> habubank Securities Report may 2008

<sup>11</sup> Please note, since these companies listed on the domestic exchange, the equity markets in Vietnam have experienced a difficult time and many of the stocks are now trading at a discount to their listed price.

## **DWS VIETNAM FUND LIMITED**

### **Investment Manager's Report for the six months ended 30 June 2008 Cont/d**

#### **Viet-Han Cable Company**

Viet-Han is a leading manufacturer of copper and fiber-optic cables. The fund invested into Viet-Han in November 2007. Viet-Han listed on the domestic exchange in early 2008 at a negative 3% return on the Fund's investment.

#### **Outlook**

The FM is currently in late stage negotiations with a number of market leading firms in the building materials, consumer goods and agriculture spaces. Two of these firms are not only market leaders within Vietnam but also within the region. The FM will disclose further details once the investment has been completed. Going forward, the FM expects the unlisted equity portfolio allocation to increase above its current levels.

#### **Closed end Fund of Funds Investments**

At the end of June 2008, the Fund of Funds portfolio represents 17% of the total portfolio value. The Fund has exposure to Funds managed by PXP Asset Management and Dragon Capital. The FM gained exposure to many of these funds at a significant discount to their respective NAVs, giving the Fund beta exposure to the market at a significant discount to the listed equity valuations. Over the past six months the FM has slightly reduced the Fund's position in a number of the Funds. The FM has been able to deliver out performance to investors by selling out many of these positions at a premium to their respective NAV's.

#### **Share Buy-back**

Over the past twelve months the FM has bought back 6.5 million shares of the Fund on the open market.

#### **Segregated Mandate**

The Fund has a segregated mandate with PXP Asset Management. At the end of June 2008 the segregated mandate represented less than 6% of the total portfolio value. For the first six months of the year, the mandate has outperformed the listed equity index in Vietnam by 2.8%.

#### **General Outlook and Fund Strategy**

The FM remains optimistic on the medium to long term structural story of Vietnam. Over the coming months the FM will be looking to increase the Fund's exposure to direct investments (including OTC stocks) and to increase the Fund's exposure to the domestic listed equity market when value opportunities arise.

The FM's strategy of; i) taking a cautious and prudent approach to gaining exposure to the domestic listed equity markets, & ii) building a diversified portfolio across asset classes and securities, has been crucial in protecting investors' interests in the current market volatility.

## DWS VIETNAM FUND LIMITED

### Consolidated Portfolio of Investments as at 30 June 2008

Nominal	Security	Coupon %	Maturity	Value US\$	Fund %
<b>Collective Investment Schemes 15.74% (December 2007: 16.79%)</b>					
<b>Cayman Islands 15.12% (December 2007: 15.79%)</b>					
5,079,000	Vietnam Enterprise			13,713,300	4.91
1,491,918	PXP Vietnam Fund			5,631,990	2.02
1,261,200	Vietnam Emerging			5,044,800	1.81
653,167	Vietnam Growth Fund			11,348,777	4.06
1,013,330	Vietnam Lotus Fund			2,837,324	1.02
446,000	Vietnam Resource 1			3,623,750	1.30
<b>Vietnam Nil 0.62% (2007 1.00%)</b>					
2,795,120	Vietnam Securities Investment Fund			1,725,997	0.62
<b>Total Collective Investment Schemes</b>				<b>43,925,938</b>	<b>15.74</b>
<b>Common Stock 37.90% (December 2007: 33.84%)</b>					
<b>Bermuda 3.82% (December 2007: 4.15%)</b>					
16,888,000	Chuangs Consortium International			1,797,644	0.64
3,129,000	Luks Industrial Group			1,524,883	0.55
3,097,000	Yue Yuen Industrial Holdings			7,355,795	2.63
<b>Cayman Islands Nil (December 2007: 0.94%)</b>					
<b>Singapore 4.99% (December 2007: 3.45%)</b>					
6,088,000	Ellipsiz Ltd			761,756	0.28
3,472,000	Fraser and Neave Ltd			11,576,315	4.15
8,485,000	New Toyo International			1,561,292	0.56
<b>Taiwan Nil (December 2007: 1.79%)</b>					
<b>Vietnam 29.09% (December 2007: 23.51%)</b>					
285,980	An Giang Fisheries			514,499	0.18
800,000	An Phat Plastics & Packing Jsc			5,130,032	1.84
300,000	Bao Viet Insurance			308,752	0.11
63,000	Ben Dinh Minerals			213,217	0.08
138,852	Ben Minh Plastics			313,287	0.11
1,095,952	Ben Tre Aquaproduct			2,375,148	0.85
796,293	Cables & Telecom			1,186,733	0.43
122,337	Can Don Hydro Power JSC			108,231	0.04
976,190	Corp for Finance & Promo Techno			2,892,286	1.04
160,000	Domesco Medical Import Export			1,035,506	0.37
104,160	Dry Cell and Storage Battery Joint			210,274	0.08
577,850	General Forwarding			1,317,506	0.47
3,700,000	Ha Tien 2 Cement Co			3,222,104	1.15
152,260	Haugiang Pharmaceutical Joint Stock			1,283,750	0.46
29,600	Ho Chi Minh City Inc			48,859	0.02
280,350	Hoa An Joint Stock Co			362,880	0.13
254,200	Hoa Binh Rubber Joint Stock			652,027	0.23
128,950	Imexpharm Pharmaceutical			742,676	0.27
1,104,390	Kinhdo Corporation			5,114,738	1.83
1,860,240	Nam Viet Corporation			5,522,622	1.98
2,203,280	Petrovietnam Drilling & Well Services			9,942,363	3.56
2,446,240	Petrovietnam Fertilizer & Chemical			6,216,546	2.23
222,310	Pha Lai Thermal Power			336,593	0.12
186,700	Refrigeration Electrical Engineering			304,848	0.11
550,000	Saigon Paper Corp			805,526	0.29
690,670	Savimex Corp			758,663	0.27

## DWS VIETNAM FUND LIMITED

### Consolidated Portfolio of Investments as at 30 June 2008 Cont/d

Nominal	Security	Coupon %	Maturity	Value US\$	Fund %
<b>Common Stock 37.90% (December 2007: 33.84%)</b>					
<b>Vietnam 29.09% (December 2007: 23.51%)</b>					
217,000	SMC Trading Investment			373,649	0.13
213,770	Songda Urban & Industrial Zone			586,402	0.21
132,070	Southern Seed Corp			220,352	0.08
500,000	SSgA Construction Real Estate			2,968,769	1.06
234,151	Tan Tao Industrial Park Corp			1,237,349	0.44
180,924	Tan Tien Plastic Packaging Joint			254,596	0.09
104,720	Tay Ninh Rubber Co			382,394	0.14
495,312	Thu Duc Housing Development Corp			1,632,218	0.58
500,000	Truong Thanh Furniture Corporation			656,098	0.23
801,370	Viet Han Corp			1,151,476	0.41
4,030,000	Vietcom Bank			8,534,418	3.05
1,796,830	Vietnam Dairy Products			11,240,843	4.03
750,000	Vinaconex Advanced Compound Stone			1,095,476	0.39
<b>Total Common Stock</b>				105,831,391	37.90
<b>Convertible Bonds 2.13% (December 2007: Nil)</b>					
<b>Vietnam 2.13%</b>					
100,000,000,000	Vesbond2205	10.500%	22/05/2011	5,937,537	2.13
<b>Total Convertible bonds</b>				5,937,537	2.13
<b>Long Term Bonds 23.60% (December 2007: 13.25%)</b>					
<b>Vietnam 18.29% (December 2007: 9.19%)</b>					
150,000,000,000	Vietnam Electricity *(a)	9.540%	20/07/2011	7,552,547	2.71
161,750,000,000	Vietnam Government	7.900%	16/08/2012	6,680,903	2.39
40,000,000,000	Vietnam Government Bond	8.500%	17/01/2013	1,708,641	0.61
7,652,174	Vietnam Government International	3.625%	12/03/2016	7,353,586	2.63
100,000,000,000	Vietnam (Socialist Republic of )	7.700%	31/01/2012	4,304,239	1.54
30,000,000,000	Vietnam (Socialist Republic of )	8.700%	25/08/2011	1,264,499	0.45
40,000,000,000	Vietnam (Socialist Republic of )	8.100%	26/01/2012	1,593,825	0.57
14,000,000	Vietnam (Socialist Republic of )	6.875%	15/01/2016	13,453,720	4.82
50,000,000,000	Vietnam (Socialist Republic of )	8.400%	12/01/2012	2,143,144	0.77
110,000,000,000	Vietnam (Socialist Republic of )	8.750%	24/05/2011	5,015,596	1.80
<b>United Kingdom 5.31% (December 2007: 4.06%)</b>					
20,000,000	Deutsche Bank AG		31/01/2012	14,836,200	5.31
<b>Total Long Term Bonds</b>				65,906,900	23.60
<b>Short Term Investments Nil (December 2007: 7.24%)</b>					
<b>Australia Nil (2007: 2.07%)</b>					
<b>Korea Nil (2007: 5.17%)</b>					
<b>Warrants 7.54% (December 2007: 12.38%)</b>					
<b>Germany 1.12% (December 2007: 1.93%)</b>					
406,560	Deutsche Bank AG London (Cables and Telecom)		14/11/2016	604,555	0.22
108,660	Deutsche Bank AG (General Forward)			247,745	0.09
1,380,967	Deutsche Bank AG London (HCM City Infrastructure Co.)		09/01/2017	2,256,500	0.81
<b>Hong Kong 1.31% (December 2007: 2.52%)</b>					
7,431,800	HSBC P Notes (Sacom Cables)		07/02/2012	961,080	0.34
4,947,500	HSBC P Notes (An Giang Fishei)		07/02/2012	757,759	0.27
3,536,270	HSBC P Notes (Imex Pharm)		07/02/2012	1,959,942	0.70

\*(a) Floating Rate Note

## DWS VIETNAM FUND LIMITED

### Consolidated Portfolio of Investments as at 30 June 2008Cont/d

Nominal	Security	Coupon %	Maturity	Value US\$	Fund %
<b>Netherlands 1.37% (December 2007: 2.50%)</b>					
897,091	Merrill Lynch & Co (CW11 General Forward)		10/04/2010	2,066,898	0.74
774,900	Merrill Lynch International (Phai Lai Thermal Power)		12/01/2012	1,173,199	0.42
522,000	Merrill Lynch International (CW 12 Savimex Corporation)		19/01/2022	588,816	0.21
<b>United Kingdom 2.27% (December 2007: 2.78%)</b>					
2,388,803	Deutsch Bank AG London (CW17 Phai Thermal Power)		30/03/2014	3,580,816	1.28
445,900	Deutsch (Cw09 Vietnam Diary)		30/03/2017	2,777,957	0.99
<b>United States 1.47% (December 2007: 2.58%)</b>					
546,563	Citigroup Global M Cert (General Forwarding)		20/01/2010	1,263,107	0.45
129,877	Citigroup Global Markets Holdings Inc (Sacombank)		20/01/2010	169,360	0.06
1,128,800	Citigroup Global Markets Holdings Inc (Southern Seed Corp)		20/01/2010	1,895,255	0.68
199,220	Citigroup Global Markets Holdings Inc		20/01/2010	326,322	0.12
350,541	Deutsche Bank Axess		07/09/2009	451,146	0.16
<b>Vietnam Nil% (December 2007: 0.07%)</b>					
<b>Total Warrants</b>				<b>21,080,457</b>	<b>7.54</b>
<b>Deposits with Credit Institutions</b>					
<b>Vietnam Nil% (December 2007: 3.21%)</b>					
<b>Portfolio of Investments</b>				<b>242,682,223</b>	<b>86.91</b>
Other Net Current Assets				36,522,656	13.09
<b>Net Assets</b>				<b>279,204,879</b>	<b>100.00</b>
<b>Net Asset Value per financial statements</b>				<b>30/06/2008</b>	<b>31/12/2007</b>
Net asset value				US\$279,204,879	US\$479,729,613
Number of Shares in Issue (excluding own shares repurchased)				480,431,392	483,431,392
Net Asset Value per Share				US\$0.5812	US\$0.9923
<b>NAV reconciliation</b>					
Net asset value per financial statements				US\$279,204,879	US\$479,729,613
NAV Adjustment *				4,053,005	3,917,460
Value of shares invested in DWS Vietnam Fund **				3,011,665	2,992,500
Adjustment for overstatement of Long Term Bond pricing				-	471,311
Adjustment for overstatement of Investment Management Fee				-	(666,080)
Net asset value per dealing NAV				US\$286,269,549	US\$486,444,804

\* The NAV adjustment represents the difference between the close of business dealing net asset value at mid market prices, per the prospectus and the close of business net asset value at bid prices as required by IFRS 39.

\*\* Repurchase of 6,500,000 DWS Vietnam Fund Ltd. shares (US\$3,011,665) by Siglap Ltd. , a wholly owned subsidiary company. This presentation is in line with IFRS requirements.

## DWS VIETNAM FUND LIMITED

Consolidated Income Statement for the six months ended 30 June 2008

	Notes	30/06/2008	31/12/2007	30/06/2007
		US\$	US\$	US\$
		Unaudited	Audited	Unaudited
Investment income	4	8,693,162	13,100,685	6,931,259
Net loss on investments at fair value through Profit & Loss	3	(203,182,679)	(8,762,617)	(3,036,922)
Net foreign exchange loss	5	(633,329)	(710,438)	(297,612)
<b>Net Investment Income</b>		<u>(195,122,846)</u>	<u>3,627,630</u>	<u>3,596,725</u>
Investment Management fees	6	(3,233,298)	(8,217,373)	(3,814,581)*
Custodian fees	6	(130,801)	(299,809)	(126,456)
Administration fees	6	13,503	(670,481)	(342,598)
Professional fees	6	(166,683)	(542,716)	(118,989)
<b>Operating expenses</b>		<u>(3,517,279)</u>	<u>(9,730,379)</u>	<u>(4,402,624)</u>
<b>Net gain/(loss) for the period before withholding tax</b>		<b>(198,640,125)</b>	<b>(6,102,749)</b>	<b>(805,899)</b>
Less non reclaimable withholding tax		(81,627)	(258,899)	(87,833)
<b>Net loss</b>		<u><b>(198,721,752)</b></u>	<u><b>(6,361,648)</b></u>	<u><b>(893,732)</b></u>
<b>(Loss) / Earnings per Share</b>		<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
Basic	13	(41.28c)	(1.41c)	(0.20c)
Diluted	13	(41.28c)	(1.41c)	(0.20c)
<b>Weighted average shares outstanding</b>		<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
Basic	13	481,420,403	451,331,359	437,462,912
Diluted	13	481,420,403	451,331,359	437,462,912

\*The management fees have been restated to account for an overstatement of the fees in the period ending 30 June 2007. US\$1,096,953 relates to a subscription fee which now appears on the Consolidated Statement of Changes in Net Assets. The Management fee was also overstated by US\$666,080 during the period ending 30 June 2007. The Net Asset Value for the period has been adjusted to reflect this.

The accompanying notes form an integral part of these financial statements.



## DWS VIETNAM FUND LIMITED

### Consolidated Statement of Changes in Net Assets for the six months ended 30 June 2008

	Share Capital US\$	Share Premium US\$	Retained Losses US\$	Total Equity
<b>Balance at 01 January 2007</b>	384,139,342	(364,649)	(219,180)	383,555,513
Issue of Share Capital	102,792,050	3,765,651	-	106,557,701
Subscription fee		(1,096,953)		(1,096,953)
Repurchase of Share Capital	-	(2,925,000)	-	(2,925,000)
Net Loss	-	-	(6,361,648)	(6,361,648)
<b>Balance at 31 December 2007</b>	<b>486,931,392</b>	<b>(620,951)</b>	<b>(6,580,828)</b>	<b>479,729,613</b>
Issue of Share Capital	-	-	-	-
Repurchase of Share Capital		(1,802,982)		(1,802,982)
Net Loss	-	-	(198,721,752)	(198,721,752)
<b>Balance at 30 June 2008</b>	<b>486,931,392</b>	<b>(2,423,933)</b>	<b>(205,302,580)</b>	<b>279,204,879</b>

	Share Capital US\$	Share Premium US\$	Retained Losses US\$	Total Equity
<b>Balance at 01 January 2007</b>	384,139,342	(364,649)	(219,180)	383,555,513
Issue of Share Capital	83,393,555	3,652,839	-	87,046,394
Subscription Fee		(1,096,953)		(1,096,953)
Net Loss	-	-	(893,732)	(893,732)
<b>Balance at 30 June 2007</b>	<b>467,532,897</b>	<b>2,191,237</b>	<b>(1,112,912)</b>	<b>468,611,222</b>

The accompanying notes form an integral part of these financial statements.

## DWS VIETNAM FUND LIMITED

### Consolidated Balance Sheet as at 30 June 2008

		30/06/2008	31/12/2007	30/06/2007
		US\$	US\$	US\$
<b>Assets</b>		<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
Cash and cash equivalents	9	35,207,786	68,766,084	263,233,899
Investments in securities designated at fair value through profit & loss.		242,682,223	400,606,416	204,338,446
Debtors	8	<u>3,936,615</u>	<u>12,047,886</u>	<u>4,151,875</u>
<b>Total Assets</b>		<b>281,826,624</b>	<b>481,420,386</b>	<b>471,724,220</b>
<b>Liabilities</b>				
Creditors	10	<u>(2,621,745)</u>	<u>(1,690,773)</u>	<u>(3,112,998)</u>
<b>Total liabilities</b>		<b>(2,621,745)</b>	<b>(1,690,773)</b>	<b>(3,112,998)</b>
<hr/>				
<b>Net assets</b>		<b><u>279,204,879</u></b>	<b><u>479,729,613</u></b>	<b><u>468,611,222</u></b>
 <b>Shareholder's equity</b>				
Share capital		486,931,392	486,931,392	467,532,897
Share premium	12	(2,423,933)	(620,951)	2,191,237
Retained losses		<u>(205,302,580)</u>	<u>(6,580,828)</u>	<u>(1,112,912)</u>
<b>Total shareholder's equity</b>		<b><u>279,204,879</u></b>	<b><u>479,729,613</u></b>	<b><u>468,611,222</u></b>

The accompanying notes form an integral part of these financial statements.

On behalf of the Board of Directors.



Stephen Duerden  
Director

## DWS VIETNAM FUND LIMITED

### Consolidated Cash flow statement for the period ended 30 June 2008

	30/06/2008 US\$ Unaudited	31/12/2007 US\$ Audited	30/06/2007 US\$ Unaudited
<b>Operating activities</b>			
Net loss for the year	(198,721,752)	(6,361,648)	(893,732)
<i>Adjustment for non-cash items:</i>			
Net gains on trading investments during the period	198,014,909	7,662,588	2,949,089
<i>Changes in operating assets and liabilities</i>			
Increase in securities held for trading	(40,090,717)	(367,964,902)	(168,719,411)
Decrease / (Increase) in debtors	8,111,271	(11,093,708)	(3,197,698)
(Decrease) / Increase in creditors	930,973	(3,000,211)	245,826
	<hr/>	<hr/>	<hr/>
Cash flows from operating activities	(31,755,316)	(380,757,881)	(169,615,926)
<b>Financing activities</b>			
Issue of shares during the period	-	106,557,701	85,861,608
Subscription Fee	-	(1,096,953)	-
Repurchase of Share Capital	(1,802,982)	(2,925,000)	-
<b>Net (decrease) / increase in cash and cash equivalents</b>	<hr/>	<hr/>	<hr/>
	(33,558,298)	(278,222,133)	(83,754,318)
Cash balance at the start of the period	68,766,084	346,988,217	346,988,217
	<hr/>	<hr/>	<hr/>
<b>Cash balance at the end of the period</b>	<hr/>	<hr/>	<hr/>
	35,207,786	68,766,084	263,233,899
Cash flows from operating activities include:			
Interest received	3,543,297	11,085,240	1,592,202
Dividends received	2,811,708	1,014,396	1,315,004
Dividend paid	-	-	2,655,050

# DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008

## 1 Incorporation and principal activity

The DWS Vietnam Fund (the “Company”) is a closed ended exempted company with limited liability formed under the laws of the Cayman Islands on 13 September 2006.

The Company’s investment objective is to achieve long-term capital appreciation of its assets by investing directly or indirectly in a diversified portfolio of securities such as equity and debt instruments of entities that do some or all of their business in Vietnam.

The Company seeks to achieve its investment objective through investing primarily in securities of listed and unlisted entities, including Vietnamese-listed companies, overseas companies and unlisted companies. Such entities include listed and unlisted closed-end fund vehicles. It also invests in securities issued by governmental agencies.

The Company holds all of its investments through wholly owned subsidiary companies which are special purpose holding companies incorporated outside of Vietnam. The Company has 8 wholly-owned special purpose companies, incorporated as exempted companies with limited liability in the Cayman Islands having the purpose of acting as trading conduits of the Company for the sole purpose of opening and operating trading accounts with brokers in Vietnam. These special purpose companies have the following names:

1. Epsom Limited
2. Lionel Hill Limited
3. Beira Limited
4. Siglap Limited
5. Greystanes Limited
6. Swindon Limited
7. Teignmouth Limited
8. Tewkesbury Limited

As at the year end, all of these special purpose Companies were in operation.

As at 30 June 2008, the Company has no employees. The investment activities of the Company are managed by Deutsche Asset Management (Asia) Limited (the “Investment Manager”) and the administration of the Company is delegated to State Street Fund Services (Ireland) Limited. The registered office of the Company is located at: Second Floor Zephyr House, 122 Mary Street, PO Box 709, George Town, Grand Cayman KY1-1107, Cayman Islands.

## 2 Significant accounting policies

### Statement of Compliance.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB) and the reporting requirements of the EU Transparency Directive. The financial statements have been prepared on the basis of the accounting policies set out in the most recent set of annual financial statements. The Company has adopted IAS 34 ‘Interim Financial Reporting’ and has prepared a condensed set of interim financial statements. As a result, these financial statements do not include all of the disclosures that the annual financial statements include to comply with International accounting standards, the most notable change being the removal of disclosures relating to IFRS 7 relating to ‘Financial Instruments’. The significant accounting policies adopted by the Company are as follows:

# DWS VIETNAM FUND LIMITED

## Notes to the financial statements for the six months ended 30 June 2008 Cont/d

### 2 Significant accounting policies

#### a) Basis of preparation Cont/d

The financial statements are presented in US Dollars. The functional currency of the Company is the US Dollar and not the local currency of the Cayman Islands reflecting the fact that substantially all of the Company's assets and liabilities are denominated in US Dollars and the participating shares of the Company are issued in US Dollars. They are prepared on a fair value basis for financial assets and liabilities at fair value through profit or loss and derivative financial instruments. Other financial assets and liabilities are stated at amortised cost.

The preparation of the consolidated financial statements, in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by the Company.

#### b) Basis of consolidation

The consolidated financial statements comprise the financial statements of DWS Vietnam Fund and its subsidiaries for the period ended 30 June 2008. Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred from the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain the benefits from its activities.

#### c) Financial Instruments

##### *(i) Classification*

The Group classifies all its investments into the financial assets and financial liabilities at fair value through profit or loss category. The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held-for-trading. These include investments in equity securities, futures, contracts for differences and liabilities from short sales of financial instruments.
- Financial Instruments designated at fair value through the profit or loss upon initial recognition. These include financial assets that are not held for trading purposes and which may be sold. The Group has designated all its investments as financial instruments held for trading.

Financial assets that are classified as loans and receivables include accounts receivable. Financial liabilities that are not at fair value through profit or loss include accounts payable.

##### *(ii) Recognition*

The Group recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

# DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008 Cont/d

## 2 Significant accounting policies Cont/d

### c) Financial Instruments Cont/d

#### *(iii) Measurement*

Financial instruments are measured initially at fair value. Transaction costs on financial assets and financial fair value through profit and loss are expensed immediately while on other financial instruments they are. Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured with changes in their fair value recognised in the income statement.

#### *(iv) Fair value measurement principles*

Investments which are quoted, listed or normally dealt in on a securities market or other regulated market will normally be valued at the official close of business price on the principal market for such security at the Valuation Date. Where such security is listed or dealt in on more than one securities market the Administrator after consultation with the Investment Manager may in its absolute discretion select any one of such markets for the foregoing purposes. The value of any investment which is not listed or dealt in on a securities market shall be the value thereof as ascertained by or on behalf of the Administrator, in good faith.

#### *(v) Derecognition*

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

#### *(vi) Cash and cash equivalents*

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

### d) Translation of foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US Dollars at the foreign currency closing exchange rate ruling at the balance sheet date. Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to US Dollars at the foreign currency exchange rates ruling at the dates that the values were determined.

Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

### e) Interest Income

Interest income and expense are recognized in the income statement as it accrues, using the original effective interest rates of the instrument calculated at the acquisition or origination date. Interest income includes the amortization of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis.

## DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008 Cont/d

### 2 Significant accounting policies Cont/d

#### f) Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the income statement on the ex-dividend date.

In some cases, the Group may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the Group recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Income distribution from private equity investments and other investment funds are recognised in the income statement as dividend income when declared.

#### g) Expenses

All expenses, including management fees and custodian fees are recognised in the consolidated income statement on an accruals basis.

#### h) Foreign exchange gains and losses

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognised together with other changes in the fair value. Included in the profit or loss line item "Net foreign exchange gains / (losses)" are net foreign exchange gains and losses on monetary financial assets and financial liabilities other than those classified at fair value through profit or loss.

#### i) Share Capital

Costs directly associated with the raising of share capital of the Group have been charged to the share premium account.

### 3 Net gains on investments at fair value for the six months ended 30 June 2008

The net gains on investments during the year comprise:	30/06/2008	31/12/2007	30/06/2007
	US\$	US\$	US\$
	Unaudited	Audited	Unaudited
Proceeds from sales of investments during the year	48,687,488	8,451,577	2,755,886
Original cost of investments sold during the year	(53,855,258)	(8,492,116)	(3,239,204)
Gains realised on investments sold during the year	(5,167,770)	(40,539)	(483,318)
Total unrealised movement for the year	(198,014,909)	(8,722,078)	(2,553,604)
Net loss on investments	(203,182,679)	(8,762,617)	(3,036,922)

### 4 Investment income for the for the six months ended 30 June 2008

	30/06/2008	31/12/2007	30/06/2007
	US\$	US\$	US\$
	Unaudited	Audited	Unaudited
Fixed deposit interest	474,332	6,540,235	5,050,597
Bond interest	5,705,428	3,180,520	332,370
Bank interest	-	1,762,674	889,546
Dividend income	2,513,402	1,617,256	658,746
	8,693,162	13,100,685	6,931,259

## DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008 Cont/d

5	Other gains / losses	30/06/2008 US\$ Unaudited	31/12/2007 US\$ Audited	30/06/2007 US\$ Unaudited
	<b>Other losses comprise:</b>			
	Net foreign exchange loss	(633,329)	(710,438)	(297,612)
<hr/>				
6	Expenses	30/06/2008 US\$ Unaudited	31/12/2007 US\$ Audited	30/06/2007 US\$ Unaudited
	<b>Investment Manager</b>			
	Investment Manager fee	(3,075,434)	(7,942,012)	(3,814,581)*
	Investment Advisor fee	(157,864)	(275,361)	-
		(3,233,298)	(8,217,373)	(3,814,581)
	<b>Custodian</b>			
	Custody fees	(130,801)	(299,809)	(126,456)
	<b>Administrator</b>			
	Administration fees	13,503	(659,893)	(335,510)
	Transfer Agency fees	-	(10,588)	(7,088)
		13,503	(670,481)	(342,598)
	<b>Other expenses</b>			
	Directors fees	(62,432)	(50,071)	(24,989)
	Directors Insurance	-	(75,000)	(37,825)
	Professional fees	(104,251)	(402,645)	(56,175)
	Audit Fee	-	(15,000)	-
		(166,683)	(542,716)	(118,989)
	<b>Total Expenses</b>	(3,517,279)	(9,730,379)	(4,402,624)

\*The management fees have been restated to account for an overstatement of the fees in the period ending 30 June 2007. US\$1,096,953 relates to a subscription fee which now appears on the Consolidated Statement of Changes in Net Assets. The Management fee was also overstated by US\$666,080 during the period ending 30 June 2007. The Net Asset Value for the period has been adjusted to reflect this.

7	Directors' Remuneration			
	The Board will determine the fees payable to each Director subject to a maximum aggregate amount of US\$75,000 per annum for the Board.			
8	Debtors	30/06/2008 US\$ Unaudited	31/12/2007 US\$ Audited	30/06/2007 US\$ Unaudited
	Sales awaiting settlement	-		1,498,478
	Dividend receivable	255,529	602,860	-
	Interest receivable	3,681,086	1,352,367	2,653,397
	Advancement for Purchase of Securities *	-	10,092,659	-
		3,936,615	12,047,886	4,151,875



## DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008 Cont/d

### 8 Debtors Cont/d

\*Advancement for Purchases of Securities” refers to an offer to purchase shares through an IPO, where the offer has not been accepted at 31 December 2007. All offers were accepted post year end:

Date of Trade	Security Name	Value	Settlement Date
16/11/2007	Viet Han Corp	US\$ 599,420	09/01/2008
19/11/2007	Viet Han Corp	US\$ 6,993,239	09/01/2008
17/12/2007	Vietcom bank	US\$ 2,500,000	09/01/2008

### 9 Cash and cash equivalents

	30/06/2008	31/12/2007	30/06/2007
	US\$	US\$	US\$
	Unaudited	Audited	Unaudited
Cash and bank balances	35,207,786	53,390,261	84,446,115
Deposits with Credit Institutions	-	15,375,823	178,787,784
	<u>35,207,786</u>	<u>68,766,084</u>	<u>263,233,899</u>

All cash and bank balances are held with State Street Bank & Trust Company.

### 10 Creditors

	30/06/2008	31/12/2007	30/06/2007
	US\$	US\$	US\$
	Unaudited	Audited	Unaudited
Purchases awaiting settlement	(1,623,344)	(442,593)	(1,860,138)
Accrued expenses	(998,401)	(1,248,180)	(1,252,860)
	<u>(2,621,745)</u>	<u>(1,690,773)</u>	<u>(3,112,998)</u>

### 11 Share capital

#### Shares - Equity

The authorised share capital of the Company is US\$500,000,000 made up of 500,000,000 Shares of a par value of US\$1.00 each, having the rights set out in the Articles.

The Shares constitute the only class of shares in the Company. All Shares have the same rights, whether in regard to voting, dividends, return of share capital and otherwise.

The objectives of the Sub-Funds are outlined in the Investment Managers Report. The Fund strives to invest the subscriptions of shares into the Fund in investments that meet the Fund’s investment objectives while maintaining sufficient liquidity.

At a general meeting on a show of hands every Shareholder of record present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) shall have one vote and on a poll every Shareholder of record present in person (or, in the case of a Shareholder being a corporation by its duly authorised representative) or by proxy shall have one vote for each Share registered in his name in the Register.

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify as such in the notice calling it. The Directors may convene general meetings. Extraordinary general meetings may also be convened on such requisition.

Upon 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.

## DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008 Cont/d

### 11 Share capital cont/d

#### Shares - Equity cont/d

There are no pre-emptive rights in connection with the Shares. The Company issued one subscriber share which was subsequently repurchased by the company at par.

During the period 6,500,000 DWS Vietnam Fund Ltd. shares were repurchased by Siglap Ltd., a wholly owned subsidiary company as noted on page 14.

	30/06/2008	31/12/2007	30/06/2007
	Unaudited	Audited	Unaudited
Shares at start of period	483,431,392	384,139,342	384,139,342
Shares issued during the period	-	102,792,050	83,393,555
Shares repurchased during the period	(3,000,000)	(3,500,000)	-
Shares at end of period	480,431,392	483,431,392	467,532,879

### 12 Share premium

	30/06/2008	31/12/2007	30/06/2007
	US\$	US\$	US\$
	Unaudited	Audited	Unaudited
Balance at start of period	(620,951)	(364,649)	(364,649)
Premium arising on issuing of shares	-	3,765,651	3,652,839
Re-purchase of Shares in DWS Vietnam	(1,802,982)	(2,925,000)	-
Expense on issuing of shares	-	(1,096,953)	(1,096,953)
Balance at end of period	(2,423,933)	(620,951)	2,191,237

### 13 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	30/06/2008	31/12/2007	30/06/2007
	US\$	US\$	US\$
	Unaudited	Audited	Unaudited
Earnings for the purpose of the basic and diluted earnings per share is net loss attributable to shareholders	(198,721,752)	(6,361,648)	(893,732)
Weighted average number of shares for the basic and diluted earnings per share	481,420,403	451,331,359	437,462,912
Average net asset value for one share during the year	US\$0.74232	US\$1.0118	US\$ 1.0147

### 14 Significant Agreements

#### Custodian

State Street Custodial Services (Ireland) Limited acts as Custodian to the Company and Group, pursuant to the Custodian Agreement dated 10 November 2006. The Custodian fees are charged based on the Net Asset Value of the Group on a monthly basis in arrears. The current rate for the Custodian fee is 3 basis points. The Custodian will also be entitled to be reimbursed by the Group for all transaction costs attributable to the Group and incurred by the Custodian from time to time and all other reasonable out-of-pocket and any appropriately incurred third party fees and expenses, including fees of any sub-custodian appointed by the Custodian at market rates, which will be invoiced as and when incurred and which shall be inclusive of value added tax (if payable).

# DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008Cont/d

## 14 Significant Agreements Cont/d

### Administrator

The Group and the Manager have appointed State Street Fund Services (Ireland) Limited pursuant to an agreement dated 10 November 2006. The Administration fee is billed and payable monthly based on the average monthly assets. The current rates for the Administration fee are 9 basis points for the first US\$100 million net assets, 8 basis points for net assets between US\$100 to US\$300 million and 6 basis points for net assets in excess of US\$300 million subject to a minimum monthly charge of US\$8,000 per sub fund.

### Discretionary Investment Adviser

Pursuant to an agreement dated 15 November 2006, the Investment Manager has delegated its discretionary investment management function to Deutsche Asset Management (Asia) Limited. The Investment Manager fees are charged based on the Net Asset Value of the Company on a monthly basis. The current rate for the Investment Manager Fee is 170 basis points.

In addition to management fees, the Company agrees to pay performance fees to the Investment Manager, any Investment Advisors and any Segregated Fund Managers calculated according to the performance of the Company's Investments. The Company shall pay performance fees to the Investment Manager in arrears within 30 days from the end of each Calculation Period and shall be calculated by reference to the unaudited accounts of the Group. The Group shall pay a performance fee on the Investment Manager's Sub Portfolio if the Investment Manager's Sub-Portfolio generates a return greater than 8% on an annualized basis during a Calculation Period.

## 15 Taxation

There are no taxes on income or gains in the Cayman Islands and the Group has received an undertaking from the Governor in Council of the Cayman Islands, under the Tax Concessions Law (1999 Revision), exempting it from all local income, profits and capital taxes until 26 September 2026. Accordingly, no provision for income taxes is included in these financial statements.

Dividend and interest income received by the Group may be subject to withholding tax imposed in the country of origin. Investment income is recorded gross of such taxes and the withholding tax is recognised as finance costs.

## 16 Related Party Transactions

Deutsche Asset Management (Asia) Limited has been appointed as Investment Manager to the Group. For these services in the period, Deutsche Asset Management (Asia) Limited earned a fee of US\$3,075,434 (June 2007: US\$3,814,581) of which US\$420,201 was outstanding at the period end (June 2007: 1,330,815)

The subsidiaries currently in operation are being managed by Deutsche Asset Management (Asia) Limited, all transactions between the company and its subsidiaries are on an arm's length basis. As at the period end, Deutsche Bank AG (Vietnam) issued warrants to the Group as disclosed in the Portfolio of Investments. Two of the directors Lindsay Wright and Stephen Duerden are employees of Deutsche Bank A.G. related entities.

## 17 Net Asset Value per share

The Net Asset Value per Share of the portfolio is determined by dividing the net assets of the portfolio by the total number of Participating Shares in issue.

## 18 Soft Commission Arrangements

The Company did not enter into any soft commission arrangements during the period.

# DWS VIETNAM FUND LIMITED

Notes to the financial statements for the six months ended 30 June 2008 Cont/d

## 20 Fair Value Information

Many of the Fund's financial instruments are carried at fair value on the balance sheet. Usually the fair value of the financial instruments can be reliably determined with a reasonable range of estimates. For certain other financial instruments, including accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

The carrying amounts of the Fund's financial assets and financial liabilities at the balance sheet date approximated their fair values.

## 21 Accounting estimates and judgements

As indicated in note 20, many of the Fund's financial instruments are measured at fair value on the balance sheet and it is usually possible to determine their fair values within a reasonable range of estimates.

For a certain number of the Fund's financial instruments, quoted market prices are readily available. However, for other financial instruments, for example, unquoted securities are fair valued using valuation techniques, including reference to the current fair values of other instruments that are substantially the same (subject to the appropriate adjustments).

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement (e.g. interest rates, volatility, estimated cash flows etc.) and therefore, cannot be determined with precision.

## 23 Exchange rates to USD

	30/06/2008	31/12/2007	30/06/2007
EUR Euro	0.6347	0.6840	0.7583
HKD Hong Kong Dollar	7.7974	7.7974	7.7772
SGD Singapore Dollar	1.3586	1.4394	1.5343
TWD Taiwan Dollar	30.3530	32.4345	32.8660
VND Vietnam Dong	16,842.0000	16,016.5000	16,135.0000

## 24 Consolidated portfolio of investments

The consolidated portfolio of investments is on pages 12-14 of these financial statements.

## 25 Significant events after the period end

There were no significant events after the period end.

## 26 Approval of the financial statements

The accounts were approved by the Board of Directors on 29<sup>th</sup> August 2008.

# DWS VIETNAM FUND LIMITED

## Other Information

### **REGISTERED OFFICE**

Second Floor Zephyr House  
122 Mary Street  
PO Box 709  
George Town  
Grand Cayman KY1-1107  
Cayman Islands

### **DIRECTORS**

Stephen Duerden  
Andrew Fay (resigned 26 March 2008)  
Richard Harrison (Independent)  
Gordon Mattison (Independent)  
Lawrence Wolfe (resigned 26 March 2008)  
Lindsay Wright  
*All Directors are non-executive.*

### **INVESTMENT MANAGER**

Deutsche Asset Management (Asia) Limited  
One Raffles Quay,  
#17-10,  
Singapore 048583

### **CUSTODIAN**

State Street Custodial Services (Ireland) Limited  
Guild House  
Guild Street  
International Financial Services Centre  
Dublin 1  
Ireland

### **ADMINISTRATOR, REGISTRAR AND TRANSFER AGENT**

State Street Fund Services (Ireland) Limited  
Guild House  
Guild Street  
International Financial Services Centre  
Dublin 1  
Ireland

### **PLACING AGENT**

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### **LEGAL ADVISOR TO THE COMPANY ON VIETNAMESE LAW**

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## **DWS VIETNAM FUND LIMITED**

### **Other Information Cont/d**

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Attorneys-at-Law  
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Cayman Islands  
British West Indies

#### **CORPORATE SECRETARY**

CARD Corporate Services Limited  
Zephyr House  
122 Mary Street  
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George Town  
Grand Cayman KY1-1107  
Cayman Islands

#### **AUDITORS**

KPMG  
Chartered Accountants  
1 Harbourmaster Place  
International Financial Services Centre  
Dublin 1  
Ireland

#### **IRISH LISTING AGENT AND IRISH PAYING AGENT**

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International Financial Services Centre  
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#### **DEALING ENQUIRIES**

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