

PXP Vietnam Fund Limited (“**PXPVF**”)

26 November 2014

PROPOSED MERGER WITH PXP VIETNAM EMERGING EQUITY FUND LIMITED

PXP Vietnam Fund Limited is today despatching to its shareholders a circular containing details of its proposed merger with PXP Vietnam Emerging Equity Fund Limited (“VEEF”) and convening an extraordinary general meeting of shareholders at which a resolution will be proposed to enable the Merger to be put into effect (“Circular”).

INTRODUCTION

The Investment Manager of PXPVF, PXP Vietnam Asset Management Limited, has submitted a proposal to the Board of Directors of PXPVF (the “**Board**”) that PXPVF merge with PXP Vietnam Emerging Equity Fund Limited (“**VEEF**”), a Cayman Islands open-ended mutual fund which is also managed by the Investment Manager (the “**Merger**”).

The rationale for the proposal is that the shareholders of both constituent entities would benefit from being members of an enlarged fund with the combination of similarly focused investment portfolios, savings from economies of scale and a reduction in concentration risk for shareholders. As the surviving entity in the proposed Merger, VEEF, is an open-ended fund with a monthly subscription and redemption cycle, the Shareholders of PXPVF would benefit after the merger from having the opportunity to subscribe for new shares or redeem their shares at Net Asset Value (less a redemption fee) on a monthly basis.

The consent of Shareholders is required to approve the Merger. The consent of Shareholders is further required under the Listing Rules to cancel the listing of the PXPVF shares on the premium segment of the Official List of the United Kingdom Listing Authority (“**UKLA**”) once the Merger has been implemented.

Shareholders are invited to vote on the Merger proposal, with Shareholders’ consent by the passing of a special resolution in a general meeting being required to approve the Merger.

If the Merger proposals are approved, it is intended that PXPVF will apply to the UKLA for the cancellation of the listing of its shares on the Official List of the UKLA.

INFORMATION CONCERNING PXP VIETNAM EMERGING EQUITY FUND LIMITED

VEEF is an open-ended mutual fund which is regulated by CIMA, the Cayman Islands Monetary Authority.

VEEF currently has similar investment policies, objectives and restrictions as those for PXPVF, with the main differences being that VEEF invests in the equity securities of listed companies which either have a capitalisation or net asset value in excess of US\$20 million at the time of investment (PXPVF: US\$5 million); VEEF will not invest more than 20% of its assets at the time of investment in a single issuer (PXPVF: 10% of its Net Asset Value); and VEEF restricts its investments in unlisted companies to no more than 10% of its assets at the time of investment (PXPVF: 30% of its Net Asset Value). The Merger would have the effect of imposing VEEF’s current investment policies, objectives and restrictions on former PXPVF Shareholders once the merger is complete.

The portfolios of both PXPVF and VEEF are managed by the Investment Manager and are currently managed by the same individual, Kevin Snowball, and thus shareholders in the new merged entity would also benefit from centralised portfolio construction.

Participating shares in VEEF may be redeemed at Net Asset Value (less a redemption fee of 3% in the first 12 months after subscription and 1% thereafter) on a monthly basis. The first date for redemption by former PXPVF Shareholders would be 1 April 2015 (assuming the passing of the relevant resolution at the Extraordinary General Meeting to be held on 17 December 2014). Redemption fees are for the benefit of the Fund.

Participating shares in VEEF are non-voting, except on matters that would materially affect or prejudice the rights attached to the shares as specified in the Articles of Association of VEEF.

The current board of directors of VEEF comprises three non-executive directors: Christopher Vale (also a Director of PXPVF), Antony Jordan (also a Director of PXPVF) and Henry “Brook” Tellwright.

The registered office of VEEF up to 31 December 2014 is:

CARD Corporate Services Ltd.
Zephyr House
122 Mary Street
Grand Cayman KY1-1107
Cayman Islands

With effect from 1 January 2015, the registered office of VEEF will move to:

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
Grand Cayman KY1-1002
Cayman Islands

PXP Vietnam Emerging Equity Fund - Net Asset Value and Portfolio of Assets

As at 31 October 2014, VEEF had an unaudited Net Asset Value of US\$40,304,787. With 5,952,473.491 participating shares in issue, this gives an average Net Asset Value per Share of US\$6.771.

The balance sheet of VEEF as at 31 October 2014 comprises:

- 28 listed Vietnamese companies - total unaudited fair value of US\$40,264,778
- Three unlisted Vietnamese companies – total unaudited fair value of US\$551,521
- One Singapore listed company – unaudited fair value of US\$76,247
- Cash (unaudited) – US\$12,672
- Other net liabilities (unaudited) – US\$600,431

The portfolio of VEEF is diversified and is invested across a range of industries, as shown below:

<i>Sector</i>	<i>Number of assets as at 31 October 2014</i>	<i>Unaudited Fair Value as at 31 October 2014</i>	<i>% of total assets</i>
		US\$	%
Consumer Staples	2	7,731,195	18.9
Energy	2	3,200,075	7.8
Financials	6	10,527,291	25.7
Healthcare	2	638,787	1.6
Industrials	5	3,983,368	9.7
Information Technology	2	3,505,207	8.6
Materials	7	7,255,958	17.7
Property	4	3,418,489	8.4
Utilities	1	632,175	1.6
Telecommunication Services	1	1	0.0
Total	32	40,892,546	100.0

Source: PXP Vietnam Asset Management Limited (Investment Manager of VEEF)

The portfolio of VEEF includes some of the most sought after blue-chip stocks in Vietnam, such as Vinamilk, Hoa Phat Group and FPT Corporation. The ten largest holdings as at 31 October 2014 were:

	% of Net Assets (unaudited) %
Vietnam Dairy Products JSC (Vinamilk) (VNM)	16.8
Hoa Phat Group JSC (HPG)	12.7
Ho Chi Minh City Securities JSC (HCM)	11.9
FPT Corporation (FPT)	8.5
Petrovietnam Drilling and Well Services JSC (PVD)	7.8
Sai Gon Thuong Tin Commercial JSC (Sacombank) (STB)	7.0
Hoang Anh Gia Lai JSC (HAG)	4.9
Da Nang Rubber JSC (DRC)	3.7
Dong Phu Rubber JSC (DPR)	3.5
Military Commercial Joint Stock Bank (MBB)	2.8

Source: PXP Vietnam Asset Management Limited (Investment Manager of VEEF)

PXP Vietnam Emerging Equity Fund - Series of Shares

To ensure the equitable allocation of performance fee (if applicable) between shares, VEEF issues a new series of shares each time there is a subscription. The subscription price of new shares issued on the first dealing day of a financial year will be the NAV per Share of the VEEF Lead Series shares after deduction of crystallised performance fee, if any, on the valuation day relating to such dealing day. The subscription price of new shares issued on any other dealing day (usually the first business day of every month) during the year will be the NAV per Share of the VEEF Lead Series shares before deduction of accrued performance fee, if any, on the valuation day relating to such dealing day.

Shares in each series of shares, including the Lead Series, have the same rights as the shares in any other series. Each series may have a different Benchmark and different High Water Mark from other series in issue at any given time. See Appendix I of the Circular for definitions of the Benchmark, High Water Mark and a worked example of the performance fee calculation.

DETAILS OF THE PROPOSED MERGER

The surviving entity in the Merger would be VEEF. The Merger would be made on the basis of the respective NAV and NAV per Share of each of PXPVF and VEEF (Lead Series).

Pursuant to the Merger, Shareholders in PXPVF will have their PXPVF shares cancelled in return for the issue of new participating shares in VEEF on an NAV basis so as to ensure that the total NAV of the VEEF shares held by each ex-PXPVF Shareholder post-Merger will be equal to that of the PXPVF shares held by each such Shareholder prior to the Merger (subject only to rounding differences). The respective NAV and NAV per Share of each of PXPVF and VEEF for this purpose will be calculated on the valuation date.

The share exchange ratio will be rounded to six decimal places. Entitlements to VEEF shares will be rounded to three decimal places.

The valuation date for the purpose of the Merger will be 31 December 2014. The NAVs of both VEEF and PXPVF will be finalised as soon as possible thereafter, and it is expected that final figures for both funds will be available on 9 January 2015.

The Merger is expected to become effective, following shareholder approval, on 2 February 2015.

For holders of Depository Interests, if the merger is approved, any Depository Interests will automatically be withdrawn from CREST prior to the effective date.

Registered shareholders of PXPVF, including holders of Depository Interests, will be informed of their holdings in VEEF (effective 2 February 2015) by the issue of contract notes on or around 9 February 2015.

VEEF shares are issued in registered form and no share certificates are issued. Ownership of VEEF shares will be recorded in the share register maintained by the Fund Administrator of VEEF.

All PXPVF shares shall be cancelled by operation of the Merger and any certificates or other documents of title in respect of PXPVF shares will be invalid and treated as cancelled.

A draft Plan of Merger is enclosed at Part 2 of the Circular (the “**Plan of Merger**”) and includes a worked example of the Merger mechanism.

Calculation of NAV

The Fund Administrator for both PXPVF and VEEF is HSBC Trustee (Cayman) Limited, with HSBC Institutional Trust Services (Asia) Limited acting as the Administrator’s delegate. The Administrator calculates the NAV per Share for both PXPVF and VEEF on a monthly basis in accordance with their respective valuation policies. As confirmed by the Boards of each fund, the valuations of investments made under the valuation policies of both PXPVF and VEEF are consistent with International Financial Reporting Standards. Summaries of the valuation policies of PXPVF and VEEF are set out in Appendix II of the Circular.

The NAV per Share for each of PXPVF and VEEF (Lead Series) used for calculating the merger share exchange ratio will be such unadjusted NAV per Share for each of PXPVF and VEEF (Lead Series) as calculated by the Administrator as at the valuation date.

Management Fee and Performance Fee

Effective from 1 January 2015, the monthly management fee payable to the Investment Manager by VEEF will reduce to one-twelfth of 1.5% of the Net Asset Value (currently one-twelfth of 2% of the Net Asset Value) and the performance fee rate will be reduced to 15% over an 8% hurdle with a high water mark (currently 20% over an 8% hurdle with a high water mark).

If the merger is implemented, the initial Benchmark and High Water Mark applicable to the VEEF shares to be issued to former shareholders of PXPVF will be the effective subscription price, which is the NAV per Share of VEEF Lead Series shares (before deduction of performance fee, if any) on the valuation day relating to the dealing day on which the shares are issued. The hurdle rate of 8% per annum will be applied to this subscription price. See Appendix I of the Circular for definitions of the Benchmark, High Water Mark and a worked example of the performance fee calculation.

THE INVESTMENT MANAGER’S RATIONALE FOR MAKING THE PROPOSAL

PXP Vietnam Asset Management Limited (“PXP”), the Investment Manager of PXPVF and VEEF, has suggested to the Board of Directors of both funds that a proposal be put to shareholders for them to consider a merger of the two funds into a single vehicle with the open-ended structure of VEEF the surviving entity.

PXP has made the recommendation as it feels that a merger would confer significant benefits on the shareholders of both funds, as outlined below.

In general, PXP is of the view that the single country closed-end fund model is no longer functioning effectively as far as Vietnam is concerned. There has been no new issuance for a number of years and wide discounts persist. PXP believes that the main reason for any narrowing of discounts in Vietnam-focused closed-end funds in general in a now three year bull market has been through share buy-backs, and that such share buy-backs have not made substantial or enduring differences to the discounts. This suggests either a lack of interest in the Vietnamese market (which the increase in ETF assets under management over the past two years would refute) or some apathy toward the closed-end structure itself.

PXP believes that under current and reasonably foreseeable market conditions, and without the influence of open-ended opportunities it is unlikely that the discount at which PXPVF shares trade to PXPVF’s Net Asset Value would be eliminated in the context of a closed-end fund and that therefore PXPVF Shareholders would benefit from a move to an open-ended structure.

BENEFITS OF THE PROPOSED MERGER (IF IMPLEMENTED)

- PXPVF Shareholders would be moving from a closed-end to an open-ended structure, effective from 2 February 2015. They would have the ability to redeem shares at Net Asset Value less a redemption fee, a minimum of eleven months ahead of schedule (PXPVF Shareholders can vote on open-ending from the 2015 AGM onwards).
- The Merger would create a fund of sufficient size for the shareholders of both constituent entities to enjoy economies of scale. The largest costs of PXPVF are based on NAV – such as management fee, administration

fee and custodian fee. The management fee in VEEF will be 1.5% per annum compared to 2% per annum in PXPVF. There will be some economies of scale and savings in fixed costs per share, including directors' fees, auditor's fees and fixed elements of the administration fees and custodian fees. It has been estimated that expenses will reduce from US\$0.164 per share per annum to US\$0.120 per share per annum after the merger (based on 31 October 2014 NAV and adjusted for the merger share exchange ratio). However, PXPVF Shareholders would be moving from a fund with no performance fee to a fund which charges a performance fee at a rate of 15% over an 8% hurdle with a high water mark.

- It is reasonable to expect that the discount at which shares trade to the Net Asset Value will continue to narrow from the 13% level at which the shares of PXPVF were trading before the preliminary announcement on 18 September 2014 to a level equivalent to Net Asset Value less a redemption fee at the time the funds are merged (assuming that the proposals are approved by PXPVF Shareholders).
- The proposed Merger would grant Shareholders the ability to exit their investment at a time of their choosing in accordance with the monthly redemption terms of VEEF, rather than being subject to the vagaries of the market if, for example, the market suffers a liquidity squeeze such as that which happened in 2008.
- The benefits of being invested in a larger fund will be attained without losing focus on the investment objective of PXPVF, through the combination of the portfolio of PXPVF with a portfolio of similarly focused holdings (both portfolios being over 50% exposed to Vietnam-listed stocks at their respective foreign ownership limits).

RISKS ARISING FROM THE PROPOSED MERGER

- The move by PXPVF Shareholders to an open-ended structure presents a risk of substantial withdrawals by shareholders within a short period of time which could require the post-Merger VEEF to liquidate investments more rapidly than would otherwise be desirable, possibly reducing the value of assets and/or disrupting the investment strategy.
- VEEF is currently a Cayman Islands mutual fund and its shares are not listed on any stock exchange. The board of directors of VEEF seeks to comply with the principles and standards set out in The Cayman Islands Monetary Authority Statement of Guidance – Corporate Governance for Regulated Funds. However, VEEF is not subject to the UK Corporate Governance Code and its directors are not required to report to shareholders on the extent to which the fund has complied with a code of corporate governance.
- As the shares of VEEF are not listed on a stock exchange, VEEF is not subject to the Listing and Disclosure and Transparency Rules published by the UK Listing Authority, or any equivalent or similar listing and disclosure and transparency rules. The protections to shareholders which arise from such rules may not be present for shareholders in VEEF. For example, VEEF is not subject to any rules that require major shareholders to disclose their interests in the shares of the company or to rules that require directors and persons discharging managerial responsibilities to disclose their dealings in shares of the company.
- Participating shares in VEEF are non-voting, except on matters that would materially affect or prejudice the rights attached to the shares as specified in the Articles of Association of VEEF. PXPVF Shareholders will no longer have the right to vote on matters affecting the direction and management of the fund in which they are invested.

COSTS OF THE PROPOSED MERGER

The total legal and professional costs to be incurred on the proposed Merger are estimated to be no more than US\$90,000. The Boards of PXPVF and VEEF have agreed that the legal and professional costs will be allocated to the two funds pro-rata to their respective Net Asset Values.

In addition, the transfer of assets from PXPVF to VEEF in Vietnam will incur: (i) central depository transaction charges at 0.1% of the value of the assets transferred, payable by the transferor, and 0.1% of the value of the assets transferred, payable by the transferee, and (ii) taxation at 0.1% of the value of the assets transferred, payable by the transferor. It should be noted, however, that these costs are similar to those that would be incurred if VEEF were to receive a large subscription and invest the proceeds into the market, but without the market impact risk of such an infusion.

CONSENTS REQUIRED FOR THE MERGER

The requirements of the Merger are governed by The Companies Law (2013 Revision) of the Cayman Islands. Pursuant to Section 233(6) thereof, a plan of merger shall be authorised by each constituent company by way of:

- (a) a special resolution of the members of each such constituent company; and
- (b) such other authorisation, if any, as may be specified in such constituent company's articles of association.

For the purpose of the Merger, each of PXPVF and VEEF is a "constituent company", with VEEF being the surviving entity.

The Articles of Association of PXPVF specify that the requisite majority for a special resolution shall be not less than 75% of votes cast by members at a general meeting.

The Articles of Association of VEEF specify that participating shares in VEEF are non-voting, except on matters that would materially affect or prejudice the rights attached to the shares. The directors of VEEF and holders of the management shares, being PXP Vietnam Asset Management Limited, will take all necessary steps to authorise the Merger on behalf of VEEF, subject to the approval of PXPVF Shareholders at the proposed Extraordinary General Meeting ("EGM").

Dissenting shareholders

If a special resolution to approve the Merger is passed by the requisite majority of the Shareholders of PXPVF and the Plan of Merger is approved by the Cayman Islands Registrar of Companies, any dissenting PXPVF shareholders will still receive new shares in VEEF in exchange for their shares in PXPVF.

SHAREHOLDERS WISHING TO REDEEM THEIR SHARES

The shares of PXPVF will continue to be traded on the London Stock Exchange's Main Market for listed securities until 30 January 2015.

After the Merger, it will be possible for any former PXPVF Shareholders to redeem their VEEF shares at NAV minus a 3% redemption fee as of 1 April 2015 provided that notice is given by 10 February 2015. The next available redemption dealing day is 4 May 2015, with notice required by 10 March 2015.

The 3% redemption fee is less than the average discount to NAV at which the shares of PXPVF have traded over the 12 months prior to the initial announcement of Merger proposals on 18 September 2014, which was 11.7%. During this period the highest discount to NAV was 19.4% and the lowest discount to NAV was 1.9%.

IF THE MERGER IS NOT APPROVED

If the Merger is not approved by shareholders, PXPVF will continue in the immediate future as a closed-end fund, listed on the London Stock Exchange's Main Market for listed securities.

PXPVF's Articles of Association require PXPVF to put before its annual general meetings in 2015, 2016, 2017 and 2018 a special resolution to consider the conversion of PXPVF to an open-ended mutual fund. If Shareholders do not decide by special resolution to convert PXPVF to an open-ended mutual fund in any such annual general meeting (or to wind up PXPVF) PXPVF will continue to operate until 31 December 2019.

TIMELINE FOR THE MERGER

26 November 2014	Release circular to PXPVF Shareholders including EGM notice and voting forms
15 December 2014	Record date for entitlement to vote at the EGM of Shareholders of PXPVF
17 December 2014	Hold EGM of Shareholders of PXPVF
17 December 2014	Hold EGM of holders of Management Shares of VEEF
18 December 2014	Announcement of the results of the EGMs of PXPVF and VEEF
18 December 2014	Submit draft Plan of Merger to the Cayman Islands Registrar of Companies

31 December 2014	NAV valuation day for Merger share exchange
9 January 2015	Announcement of 31 December 2014 NAVs of PXPVF and VEEF, and share exchange ratio
9 January 2015	Submit Plan of Merger to the Cayman Islands Registrar of Companies for final approval
29 January 2015	Depository Interests to be withdrawn from the Depository Interests register and transferred to Ordinary Shareholders register
30 January 2015 7.30 a.m. UK time	Suspension of the listing of shares of PXPVF
2 February 2015	Effective date of Merger
2 February 2015 6.00 p.m. UK time	PXPVF share register closes
3 February 2015 8.00 a.m. UK time	Cancellation of the listing of shares of PXPVF
9 February 2015	Contract notes issued to former Shareholders of PXPVF informing them of their new holdings in VEEF

EXTRAORDINARY GENERAL MEETING

Notice of an Extraordinary General Meeting of PXP Vietnam Fund Limited to be held at the offices of Harney Westwood & Riegels, Two Exchange Square, 8 Connaught Place, Central, Hong Kong on 17 December 2014 at 5.00 p.m. Hong Kong time is set out on pages 13 to 14 of the Circular. Shareholders will be asked to consider and, if thought fit, pass a special resolution to approve the Merger and the Plan of Merger, and to cancel the listing of the ordinary shares of PXPVF on the London Stock Exchange.

A copy of the Circular can be obtained in the section relating to PXPVF Announcements on the website of PXP Vietnam Asset Management: <http://pxpam.com/our-products/>

The Circular will be submitted to the National Storage Mechanism and will shortly be available for viewing online at the following website address: <http://www.hemscott.com/nsm.do>

For further information please contact:

PXP Vietnam Asset Management
Kevin Snowball
Tel: +84 (0)8 3827 6040
khsnowball@pxpam.com
ir@pxpam.com