VIETNAM OPPORTUNITY FUND

VinaLand

Vietnam Infrastructure Limited

INVESTMENT MANAGER
VINACAPITAL INVESTMENT MANAGEMENT LTD.

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Message from Investment Manager

Dear Valued Shareholders:

We are pleased to present the Quarterly Report of the Vietnam Opportunity Fund (VOF), VinaLand (VNL) and recently launched Vietnam Infrastructure Limited (VNI) for the period ending 31 December 2007.

The quarter began with our third annual VinaCapital Investor Conference held on 4-5 October at the Park Hyatt in Ho Chi Minh City. It was an opportunity for over 150 shareholders and business associates from around the world to learn more about our funds and enjoy Vietnam's wonderful culture and hospitality.

VOF has continued to perform well during the past quarter despite difficult market conditions. Even as the downward trend in the market continued, VOF raised its NAV per share to USD 3.49, up nearly 4.2% from the previous quarter's close. VOF benefited from the private equity component of its portfolio when two positions totaling USD 80 million in invested value listed early in November. Several private placements also closed during the quarter, bringing a further valuation step-up.

Action from the 4-5 October investor conference in HCM City.

The fund's NAV is up to USD 1.13 billion as a result of Round 7 financing in November, which raised USD 272 million. These funds will be used to invest in private equity, private placements and major SOE equitisations such as the recent Vietcombank IPO.

VNL also made significant progress during the past quarter, with new projects licensed including Pavilion Square, a mixed-use development on a prime 14,000 sq.m plot in District 1, Ho Chi Minh City; and Dai Phuoc Lotus, a 200 ha urban development project in Dong Nai province, next to Ho Chi Minh City. In addition, VNL acquired a nearly 40% stake in the Novotel Reunification Park hotel project in Hanoi, for a 377-room hotel. VOF will have a 13% stake in the hotel, which will be managed by the Accor group. VNL increased its NAV per share to USD 1.31 by the end of December, up 3.15% from last quarter's end. Total NAV is now USD 654 million.

Vinacapital's newest fund, VNI, continued its pioneering steps into infrastructure investment in Vietnam. Main investments now include the Tan Tao and Song Da industrial zones, Binh Chanh Construction and Investment, Pha Lai thermal power plant, and Can Don Hydro. For the quarter, NAV per share increased to USD 1.03, from 1.0 last quarter, for a total NAV of USD 415 million.

Overall our funds continue to benefit from Vietnam's strong economic growth and market fundamentals remain strong despite the recent correction. We have a number of exciting prospects in our pipeline and remain extremely positive in our outlook as we move into 2008.

Very truly yours,

Don Lam
Chief Executive Officer
VinaCapital Investment Management Limited
February 2008

Economic review

Macroeconomics

Vietnam's fast pace of growth continued. Real GDP growth of 8.48% for full year 2007 met the target of 8.5%. Nominal GDP per capita is now USD 839, over four times the USD 200 level on the eve of *doi moi* 20 years ago. The structure of the economy continued its positive shift in 2007 with manufacturing and construction up 10.6% for the year to almost 42% of GDP, while agriculture, forestry and fisheries rose only 3.4% for the year to under 18% of GDP.

The domestic private sector grew faster in 2007 and now occupies 46% of total economic activity, compared to 37% for the government sector and 17% for the foreign-owned sector. Together, the domestic private and foreign-owned sectors were the engines of economic growth.

Retail sales increased 23% with overall purchasing power reaching USD 45 billion, making Vietnam an attractive regional retail market in terms of its growth, young population, and diversity and rising quality of products. This has given rise to robust domestic demand underlying the above growth and attracted surging capital inflows.

Foreign direct investment figures continued to show the appeal of the Vietnamese economy. FDI commitments reached a record USD 20.3 billion, compared with USD 12 billion in 2006; disbursement however was estimated at only USD 4.6 billion. Foreign portfolio investment rose to an estimated USD 5.5 billion, over four times the 2006 level. Most notable was the substantial inflow from overseas Vietnamese workers' remittances, amounting to some USD 6 billion through official bank channels alone, with unofficial flows estimated at an additional USD 2 billion (compared with an inflow estimated at USD 5 billion in 2006). The bulk of this inflow is likely used to support family living expenses and new residential dwellings.

ODA committed at end 2007 (for 2008 execution) reached USD 5.4 billion, compared with USD 4.4 billion at end 2006. Disbursement was estimated at USD 2 billion.

Vietnam has an increasingly open economy, with total trade (exports plus imports) reaching 150% of GDP (second highest in the region, after Malaysia). Exports rose 21.5% to reach USD 48.4 billion, but imports outpaced exports at USD 60 billion (up 35.5%) on account mostly of raw material, machinery and equipment imports. This resulted in a record trade deficit of USD 12.4 billion which was covered by the capital account flows.

Inflation continues to cloud policy environment

The number one policy issue is high and rising inflation. Year-on-year inflation was 12.6% for 2007, compared with 6.6% last year.

Early in 2007 external factors such as high and rising costs for imports such as oil and other raw materials were blamed. However the main explanation, supported by regression analysis, is domestic demand factors, reflected by sharp increases in money supply and credit that were part of an expansionary stance of both monetary and fiscal policies to support the official growth target.

To deal with the surging capital flows, the State Bank of Vietnam chose to buy foreign currencies (some USD 9 billion) to boost official reserves to USD 20+ billion and maintain an exchange rate above VND 16,000/USD 1 to support exports. Since there was no parallel compensation for the VND flows issued for this operation, money supply rose markedly. As a result, money supply and domestic credit rose by unprecedented year on year rates of 45% and 42%, respectively, in late 2007.

The “formal” fiscal deficit is estimated at less than 4% of GDP; a low rate. However, since there was substantial “off-budget” spending, the true fiscal deficit might be close to a more significant 7%-8% of GDP.

Three major bottlenecks for economic growth are well recognised: the lack of adequate infrastructure, slow administrative reform, and a shortage of skilled labour. These must be addressed, alongside the economic threat posed by increased water and air pollution, traffic congestion and accidents, and other environmental and quality-of-life factors.

Outlook for 2008: cautious optimism

The government is essentially facing the choice of high growth in the short run versus financial stability as a part of sustained medium-term growth. With the annual inflow of USD 18-20 billion, representing more than a quarter of GDP, as well as high prices for oil and other imported materials, the SBV is expected to strike a balance between combating inflation and supporting the growth target of the Government.

The Government may try to tighten fiscal policy by limiting fiscal spending growth, especially in public capital investments. The focus ideally would be placed on the quality of public outlays, i.e. more resources in well-studied and essential infrastructure projects.

An important outlet for the increasingly abundant foreign flows is therefore infrastructure projects where the need for private participation is increasingly recognised. Urgent administrative reforms are needed to facilitate such participation.

The Government may try to raise revenues (for example a tax on real estate profits, also partly to reduce speculative fever in this area) to contain aggregate demand, rather than reducing selective customs duties as practiced in last year’s efforts to combat inflation.

The aim would be to achieve high growth with the same or even less public resources, in other words to improve Vietnam’s incremental capital-output ratio (the funds needed to increase efficiency of investments), which currently is low compared to regional economies.

Investors looking toward 2008 might want to consider:

1) The outcome for GDP growth in 2008 could be in the range of 6.5%-7.5% if an inflation-oriented macro policy is pursued, rather than the announced target of 9%.

2) The more modest earnings growth and tight money could hamper the extent of the expected recovery of the stock market, alongside the impact of the current substantial dilution of several companies excessively raising chartered capital and bonus shares in 2007.

3) Tightening of monetary and credit policy is expected with the attendant rises in domestic interest rates, especially for VND deposits, and in the appreciation of the VND exchange rate to avoid further SBV purchases of foreign currencies.

4) High interest rate bills and bonds might be issued by the SBV to absorb excess liquidity.

5) Investments in VND instruments would likely bring favorable returns with rising interest rates and potential appreciation of the VND.

Capital markets

The stock market, indicated by the VN Index, rose by 23% from 752 at end-2006 to 927 at end-2007; its total capitalisation rose to 40% of GDP by end-2007, reflecting in part sharp increases in chartered capital by several public companies.

Nonetheless the bearish market trend continued over the last quarter of 2007, in contrast to the forecast of continued bright prospects for the Vietnamese economy and the bullish trend observed in the market in recent years over the last quarter of the year.

The explanation can be found in the following main factors:

1) Over-priced high-profile equitised SOE stocks like Bao Viet, Vietcombank and Vietnam's largest brewer, Sabeco. Like many large investors, VinaCapital declined to register for the Sabeco IPO.

2) In addition, to cope with high and rising inflation, the SBV has applied a number of monetary tightening measures. This has led to negative market sentiment about Vietnam's economic growth in 2008.

3) Halt on buying foreign currencies to deflate the supply of money.

4) The government enforced the 3% limit on securities margin lending by commercial banks. This forced a lot of investors to liquidate their shares at the end of December.

5) The heated property market is buoyed by investors moving money into property for speculative returns; thus driving prices higher.

6) Over-supply of share issuance emerged when several companies issued shares to increase chartered capital or to pay dividends and "prize shares" to lure investors. In addition, there was over-supply of SOE shares, notably the late-December IPOs of Vietcombank and Sabeco.

The market Price/earnings ratio at end-2007 was 19 times, certainly more attractive than the 50 times level seen in mid-March 2007. However, investors should consider the presence of turmoil in the world stock markets and the current attractiveness of gold and real estate as alternative investments.

Real estate

The real estate market in Vietnam continues to remain strong and is displaying growth in all sectors in the major cities, namely Ho Chi Minh (HCM) City, Hanoi, Hai Phong and Danang.

The demand for Grade A and B office space in Hanoi and HCM City continues to strengthen and as a consequence rental rates have continued to escalate. It is forecast that this trend will continue for the next 12 months at least. While there is new supply coming online from 2010 the growth in demand is also set to continue as more foreign businesses look to open offices in Vietnam's primary cities. This is good news for landlords (investors and developers) however it is a challenge for tenants seeking to find premises that meet their corporate requirements.

The outlook for the retail market in Vietnam's major centres, in particular HCM City and Hanoi, remains very positive as Vietnam's young and increasingly affluent population creates a very exciting prospect for foreign retailers setting up operations in Vietnam. To date, there are very limited high-quality shopping centres and retail facilities operating across the country and this creates an opportunity for retail centre developers and retailers wishing to set up in Vietnam. New legislation has eased restrictions on foreign retailers establishing themselves in Vietnam and this has attracted interest from many large foreign retailers' who have been steadily entering the market with established and well-known brand names since Vietnam became the 150th member of WTO in 2006.

The Department of Tourism believes HCM City needs another 10,000 hotel rooms across all grades over the next 5 years to accommodate the growing number of tourist and business travellers for both the domestic and international market. In the first half of 2007, the hotel room occupancy rates were between 90-95%, and even 99% for some hotels in HCM City. With high occupancy rates, room prices have increased significantly. In Vietnam's major cities there are an increasing number of developments which offer mixed-use facilities with a hotel component and extensions to existing hotels. The development of the leisure and tourism industry in central Vietnam, such as Danang, Hoi An, Nha Trang and the islands, is under increasing consideration from foreign investors.

Demand for residential properties such as apartments and villas continue to remain strong in Hanoi and HCM City. Land for residential development is also experiencing continued sales price growth in both cities. Vietnam's vibrant property market is driven by a booming economy, an inflow of direct foreign investment, an increasingly affluent young population, and a growing interest in the real estate market by overseas Vietnamese. Current supply cannot match demand, driving up property prices for both sales and rentals. This is true particularly for HCM City, Hanoi and Danang.

Vietnam Opportunity Fund

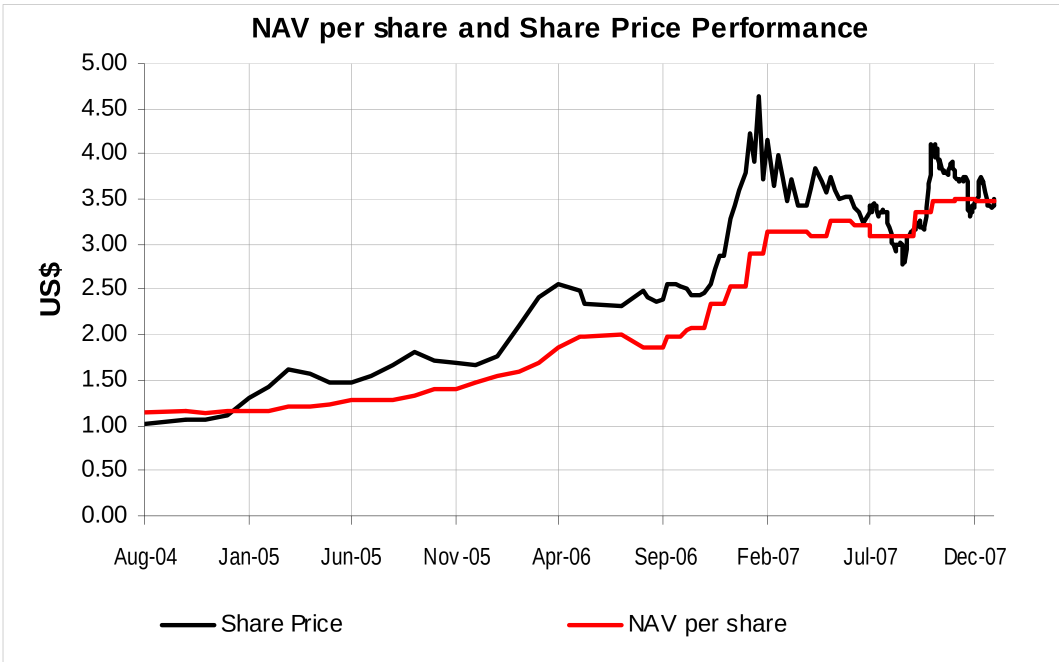
Fund summary

Fund launch	30 September 2003
Total value of investments	USD 962 million
Cash and cash equivalents	USD 170 million
Total NAV	USD 1,132 million (28 December 2007)
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Single class of ordinary shares listed on the AIM market of the London Stock Exchange plc
Investment manager	VinaCapital Investment Management Ltd.
Investment focus	Medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas: Privately negotiated equity investments; Undervalued/distressed assets; Privatisation of State-owned enterprises; Real estate; and Private placements into Listed and OTC-traded companies.
Investment focus by geography	Greater Indochina comprising: Vietnam (minimum of 70%); Cambodia; Laos; and Southern China.

Performance update

During the last quarter of 2007, VOF total net asset value decreased 0.6%. As of 28 December 2007, VOF total NAV was USD 1.132 billion or USD 3.49 per share.

At end December 2007, VOF was 85% invested with USD 170 million in cash and cash equivalents available. VOF deployed USD 158 million into the capital market in the quarter, mainly for shares on the OTC market. During the quarter, the capital market component of the VOF portfolio decreased 1.4% to USD 741.5 million versus a 4.7% decrease for the VN Index.



VOF was active throughout the quarter ending 31 December 2007. It closed a fundraising round with USD 272 million in November, deployed USD 256 million during this period and saw four deals go public (listing on the formal stock exchanges) which resulted in an average valuation increase of 40%. Some 71% (or USD 181 million) of the USD 256 million deployed during the quarter went into privately negotiated deals where VOF enjoyed a number of minority protections and private equity terms. At the same time, VOF took profit of USD 61 million on companies listed in the stock markets. The proceeds will be deployed into the private equity and private placement asset classes.

Notable deals from October to December 2007

VOF has made many investments during the quarter. Below is a list of key deals where VOF has invested material amounts (larger than USD 10 million) and enjoys some form of minority protection.

Phu Nhuan Jewelry (PNJ)
Founded in 1988, PNJ has grown to be one of the two strongest brands in the Vietnamese jewelry market, with about 18% to 24% market share. PNJ has defined its products into a broad range to serve customers within a wide income range and gain elasticity of demand: PNJ CAO Fine jewelry for high income earners, PNJ Gold for average incomes, and PNJ Silver for teenagers. As a strategic investor, VinaCapital expects huge potential upside in PNJ's strategic shift toward high margin products and its penetration into the diamond and gems market.

Masan
Culinary goods company Masan has consistently achieved a double-digit growth rate since it was established in 2003. Masan strives to be the number one player in the Vietnamese culinary segment, with over 30% market share. In the premium sub-sectors, Masan accounts for over 70% market share. Vietnam's culinary market is categorised into many sub-industries such as fish sauce, soy sauce, chili sauce, and the seasoning segment, with overall growth rates of 15% to 20%.

Masan's Chin-su brand (soya bean sauce and fish sauce products) currently ranks first in the Vietnamese culinary market, surpassing other international and domestic brands such as Knorr (Unilever), Maggi, and Vedan. It is widely considered by customers as a premium brand associated with high food hygiene and safety. After the recent food hygiene scandal involving the 3-MCPD substance in soy sauce, Chin-su has stood out to be the number one sauce with no 3-MCPD, with brand awareness in urban areas of 99% and 88% in remote areas.

DIC Corporation
DIC Corp specialises in investing into and developing real estate and technical infrastructure for urban areas, industrial zones, hi-tech zones and new economic zones. Apart from potential ongoing projects (such as the Vinh Phuc project, Vung Tau 5 star hotels and complex project, Phase II Chi Linh, Vung Tau residential project, and the South An Khanh residential project) the sale of approximately 67% of the 464.6 ha Dai Phuoc project in Dong Nai province for approximately USD 100 million (over four times DIC's current charter capital) is expected to bring about an immediate and huge gain for DIC in 2008. Current cooperation between VinaLand and DIC on 200 ha of the Dai Phuoc project will further enhance DIC's performance.

SSG – Saigon Pearl
SSG is a real estate company that owns many strategic locations in central HCM City, for example the 103,000 sq.m Saigon Pearl project in Nguyen Huu Canh Street, District 1, next to the Saigon River; the 12,000 sq.m Thao Dien apartment project in District 2, HCM City; and the 3,111 sq.m Office Complex Centre project in District 3. SSG's Saigon Pearl complex is the most luxurious residential project in HCM City and is projected to generate significant profit in the coming years. The Saphire building – a luxurious apartment building within Saigon Pearl – recently launched its pre-sales campaign in Q4/2007 and garnered almost USD 3,000 per sq.m for a small group of pre-sales un-built apartments.

Intresco
Established in 2000 and privatised in 2001, Intresco is a real estate company specialising in residential and office building development. Intresco acquired land in good locations (inner HCM City) at inexpensive prices many years ago – an advantage many real estate companies don't have. Intresco also invests in shares of other potential high growth companies and banks, to diversify their assets and to establish good relationships for future real estate project fundraising. Investment into Intresco brings good opportunities for the co-development of future property projects.

Khang Dien Housing
Khang Dien Housing went public in 2007, five years after being established. Due to a close relationship between Khang Dien management and the District 9 People's Committee, the company has been able to acquire sites at strategic locations along the future Saigon-Dau Giay National Highway and two Ring Roads. These sites are expected to have a step-up in value once these roads are completed (2008-2010).

VinaCapital has worked with Khang Dien Housing on a number of projects, and this equity investment into Khang Dien Housing is expected to enhance cooperation on future projects.

IndoChina Food Industries (NIVL Sugar Co)
IndoChina Food Industries is the special purpose vehicle that holds NIVL Sugar Joint Stock Company, formerly known as Nagarjuna Sugar Company. Founded in 1995, NIVL is one of the longest running and most successful foreign-managed sugar companies in Vietnam. It is the second largest producer of sugar and operates the most cost-effective sugar refinery in the country. In 2007, it launched a 10,000 litre/day alcohol plant and plans to expand it to 30,000 litre/day in 2008. In the near future, it has plans to expand into bio-fuels and to build a 30 MW power plant.

NIVL's incorporation is a result of a successful management buy-out. VinaCapital has been involved with and advised the management team before and after the MBO, and has recently invested to further expand the business post-MBO.

Vietnam Opportunity Fund – Investment Portfolio

Top 5 Listed Investments

Name of investee	% Stake	Number of shares '000	Market value 28/12/07 (USD '000)
VNM	3.7%	6,464	66,934
REE	9.8%	5,631	48,122
KDC	7.5%	3,526	42,669
ITA	4.9%	4,935	40,021
SJS	3.2%	1,287	20,078

Top 5 OTC Investments

Name of investee	% Stake	Number of shares '000	Market value 28/12/07 (USD '000)
Masan	18%	2,455	29,481
SSG- Saigon Pearl	5%	2,250	16,843
Intresco	9%	1,850	16,696
COFICO	25%	1,394	14,350
VinaCafe	12%	100	9,950

Top 5 Real Estate Investments

Project	Investment type	% Stake	Revalued cost 28/12/07 (USD '000)
Century 21 project	Mixed use	20.5%	13,736
Indotel (Sofitel Metropole Hanoi)	Hotel	28.9%	30,640
Kinh Do Real Estate	Company Investment	30.0%	9,551
Hung Vuong Corp	Mixed use	30.0%	10,996
A&B Project	Office building	15.1%	12,078

VinaLand

Fund summary

Fund launch	22 March 2006
Total value of investments	USD 466 million
Cash & cash equivalents	USD 187 million
Total NAV	USD 653 million (28 December 2007)
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Single class of ordinary shares admitted to trading on the AIM market of the London Stock Exchange plc
Investment manager	VinaCapital Investment Management Ltd.
Investment focus	Medium-term capital gains with some recurring income through investments in the following real estate sectors: Office; Residential; Retail; Industrial (High Tech); and Hospitality and Leisure
Investment focus by geography	Greater Indochina comprising: Vietnam (minimum of 70%); Cambodia; Laos; and Southern China.

Performance update

At the end of December 2007, VinaLand NAV stood at USD 1.31 per share, a 3.97% increase over the previous quarter's close of USD 1.26. The VinaLand's share price was USD 1.41, or 7.6% premium to NAV.

VNL has secured 28 real estate projects in Vietnam with a further 6 projects in the investment pipeline currently being finalised. Based on current invested projects and committed future investments, the total investment in real estate projects in Vietnam is now USD 653 million.

The investment strategy remains focused on urban property in Vietnam, particularly in HCM City, Hanoi and cities in the central region such as Danang and Hoi An. These investments span the full range of real estate sectors with priority for investments in city centre locations. The strategy for the next six months is to continue sourcing additional investment and development opportunities; to continue finalising acquisition negotiations; to ensure new projects are secured as soon as possible; and to commence the implementation phase for up to 8 new projects within the next 6 months. The Vietnam Opportunity Fund continues to hold the option to 25% of all VNL projects, so many real estate investments are VOF and VNL co-invested.

Top 10 real estate investments

Name	Location	Type	Value (USD mill)
Century 21	HCMC	Mixed-use	41.2
Danang Resort 260ha	Danang	Mixed-use	29.6
Dai Phuoc Project 200ha	Dong Nai	Mixed-use	26.2
Omni Hotel	HCMC	Hospitality	17.9
Hilton Hanoi	Hanoi	Hospitality	16.4
Hanoi Golden Westlake	Hanoi	Residential	15.0
Guoman Hotel	Hanoi	Hospitality	14.6
Central Garden	HCMC	Residential	11.7
Danang 9ha	Danang	Mixed-use	7.9
Hoi An Royal Bay	Hoi An	Hospitality	7.2

New Investments

Pavilion Square

VinaLand has now received an investment license for Pavilion Square, a new mixed-use development located on a prime 14,000 sq.m site in District 1, HCM City. This is an excellent city-centre location that will incorporate approximately 1,300 residential apartments and a retail component with a total gross floor area (GFA) of approximately 30,400 sq.m.

With a total project GFA of 160,000 sq.m, the Pavilion Square project is a joint venture project between VNL and a local partner, with VNL holding a majority stake. VinaCapital Real Estate will control and manage the development process and our technical team are already well advanced with the final 1:500 planning approval application.

The retail component will incorporate entertainment and lifestyle facilities such as cinemas and a health club in addition to a wide range of retailers including a supermarket and other large anchor tenants. The residential apartments will range from one to four bedrooms as well as penthouses and will incorporate the latest in interior design. The ground breaking ceremony is scheduled for the middle of 2008.

Dai Phuoc Lotus 200ha Urban Project

VinaLand and Development Investment Construction Corporation (DIC) obtained an Investment Licence from the Dong Nai People's Committee to develop the Dai Phuoc Lotus 200ha Urban Project on 28 December 2007. This new USD 400 million township project is located in Dong Nai province and has a total land area of 200ha.

The overall design of the Dai Phuoc Lotus project includes a residential area, high-end apartment buildings, commercial centres and office buildings. The public area will include a kindergarten, a school and parks. The project will be developed from 2008 to 2016. A new road bridge is currently under construction and upon completion in Q3 2008 it will provide direct access to HCM City.

The VinaCapital Real Estate sales and marketing team have already commenced preparation for the marketing of selected portions of the residential component which is expected launch in Q2 2008.

Novotel Reunification Park Hanoi

On 29 October 2007, the VinaCapital Hospitality Team closed a deal to purchase a brand new hotel project in Hanoi, the Novotel Reunification Park Hotel. This 377-room hotel when completed will provide much sought-after high quality hotel rooms in the nation's capital. VinaLand will take a 39.38% investment stake while VOF will take a 13.12% stake for a total 52.5% combined investment. This most recent hotel acquisition will be branded Novotel and managed by the Accor Hotel Management Group. The construction permit application has already been submitted and test piling and preliminary site works commenced in December 2007.

Existing Investments

Saigon Design Centre, District 7, HCM City
VinaLand holds an 80% investment with a JV partner in a new office/retail development located within the International Commercial and Financial District of Phu My Hung. The site of 2,475 sq.m can be conveniently accessed from District 1, District 4 and Binh Chanh District. The design incorporates 12 levels plus two basement levels with a total GFA of 11,000 sq.m. There will be four levels of retail and eight upper levels of Grade B office space. Design development is underway and it is anticipated that initial site investigation works and piling will commence by March 2008.

Capital Square (Danang 9ha project)
This inner-city 9 ha site is located in Son Tra District, Danang City and will be a mixed-use project incorporating commercial space, a hotel, apartments, offices, villas and an international school. VinaLand and VOF (75% and 25%, respectively) will share interests in a 100% foreign-owned holding company. The master plan has now been approved and an investment license has been granted. The Stage 1 land component of approximately 2.5 ha has now been handed over and cleared in preparation for the commencement of construction for the first high-end luxury landmark apartment tower fronting the Son River. The construction permit is anticipated to be obtained in Q1 2008.

Quoc Te, District 9, HCM City
This 2.5 ha site is a residential apartment development in District 9, HCM City. The site is adjacent to a new 140m-wide freeway to Long Thanh. VNL has entered into a joint venture with a local real estate developer where VNL will hold 84% of the joint venture company. Land compensation and allocation has been completed and infrastructure is being prepared. An adjacent 1.6 ha site is being compensated for which VNL has received a first right of refusal to acquire. The 1:2000 master plan has been approved, and the JV company is being set up. It is anticipated that the 1:500 master plan will take approximately 6 months to complete and obtain approval. Sales and marketing launch is anticipated in 2009.

Dien Phuoc Long, District 9, HCM City
This is a residential development incorporating 55 villas and an apartment building on a 30,160 sq.m site. The site is located near the Saigon High Tech Park, home of Intel, Nidec, and HP manufacturing plants. A joint venture company between Dien Phuoc Long JSC and VNL (84% VNL participation) has been set up with contributed capital of USD 2.8 million. Land compensation is completed and the 1:2000 master plan has been approved. Construction of infrastructure, with an estimated cost of USD 400,000, is now underway. The 1:500 masterplan is ongoing and is expected to be completed in approximately three months. Anticipated sales and marketing launch is in 2008.

Hoi An Royal Bay Resort (Quang Nam Province – Central Region)

Located on 86,075 sq.m of beach front in Hoi An, this project comprises 89 luxury villas and 84 guestrooms, managed by a five-star hotel operator. VNL holds an 80% controlling interest in a JSC with a local partner. Approval for the master plan was obtained in October 2007 and the Construction Permit for the earthworks was obtained in November 2007. Bulk earthworks have already commenced on the site while the final detailed design of the resort is being fine-tuned to maximise efficiencies and quality. It is anticipated that construction of the resort villa showroom will commence during Q2 2008.

An Phu Residential Apartment Project, HCM City

An Phu, located in District 2, Ho Chi Minh City is a popular residential area with many of HCM City's International Schools located there. This project has investment capital of approximately USD 4.3 million for a 6,350 sq.m site, which will provide approximately 250 apartments subject to final planning permission. International architects have completed the initial conceptual design, and the application for the 1:500 master plan has been submitted with approval anticipated in Q1 2008. Detailed design for the Construction Permit application is well underway. Various other design consultants have also been engaged to undertake detailed work for this project.

Central Garden Apartments, District 1, HCM City

Some 56 of a total 380 apartments in the Central Garden Apartment Complex in HCM City's central district were purchased by VNL at approximately 15% below the retail price. The apartments have now been completed (December 2008) and handover by the developer to VNL has also been finalised. VinaCapital Real Estate is currently undertaking minor interior upgrades prior to the sale and marketing launch of these highly sought-after District 1 apartments which will launch in Q1 2008. We anticipate demand for these well located and appointed apartments to be very strong, having already received initial enquiries from potential purchasers.

Century 21, District 2, HCM City

VNL holds a majority stake in this development on this 55 ha site (including waterways) into a mixed-use residential and commercial tourism, culture and entertainment complex in District 2. Compensation and land clearance are continuing with more than 50% of the clearance now completed (excluding waterways). This process however is taking longer than had been originally estimated. The District 2 Local Authorities are taking a lead in the remaining land clearance program. The project development team are preparing a revised zoning master plan to resubmit the outline planning permission to increase the current plot ratio.

China Beach Integrated Resort (Danang 260 ha project)
VNL (75%) & VOF (25%) jointly own 100% of this mixed use beach resort project. Environmental studies have been completed the final master plan will incorporate many of the existing natural and environmental features of the site. This project will incorporate a luxury five-star beach resort hotel, 300 villas for sale, and two 18 hole golf courses designed by Greg Norman, with the first stage to be completed by 2010. The onsite marketing and project management office is completed and operational and the development team is located on-site to manage the project development.

Initial site construction works have commenced during Q4 2007 and the plant nursery and first three golf holes are well underway. These holes offer spectacular views over the neighbouring islands and hole 16, with its green adjacent to a war time concrete bunker, will undoubtedly become a signature hole. VinaCapital will hold the official ground breaking ceremony on 25 January 2008 in Danang.

Hilton Hanoi Opera Hotel
VNL (52.5%) and VOF (17.5%) currently hold a 70% joint stake in the Hilton Hanoi Opera Hotel. This landmark hotel has been in operation since 1999 and is situated in a prime location adjacent to the Hanoi Opera House. Grade A office buildings, government ministry offices, shopping areas and art galleries are conveniently located just a short walk away. The 269-room, French Colonial-style hotel makes up 11% of the city's five-star hotel rooms and was voted the best hotel in Vietnam at the 2006 World Travel Awards.

Omni Saigon Hotel
VNL and VOF acquired a 70% interest in the Omni Saigon Hotel, HCM City, in response to an increase in foreign visitors to the country. VNL currently holds a 52.5% stake in Omni Saigon Hotel, while VOF's stake is 17.5%. The Omni Saigon Hotel has been in operation since 1993 and enjoys a convenient location only minutes away from HCM City International Airport and a 15-minute drive from the central business district. The 249-room hotel is managed by Marco Polo Hotels. The hotel is currently being considered for additional development and refurbishment in order to fully realise its potential value and drive revenue upwards.

Guoman Hotel Hanoi
VNL and VOF acquired a 74.1% interest in the boutique Guoman Hotel, Hanoi, in May 2007, adding yet another prestigious property to a growing hotel portfolio for VNL and VOF. VNL currently holds a 55.6% stake in the Guoman Hotel Hanoi, and VOF 18.5%. VinaCapital's hospitality asset management team have arranged for the hotel to be refurbished in phases during 2008 to achieve both higher occupancy rates and room rates, driving revenue and returns to investors.

This acquisition raises the total number of operating hotel rooms in VinaCapital's listed fund portfolios (VNL and VOF) to 1,033 rooms; 151 in the Guoman Hotel Hanoi, 249 in the Omni Saigon Hotel, 269 in the Hilton Hanoi Opera Hotel, and 364 in the Sofitel Metropole Hotel.

Vietnam Infrastructure Limited

Fund Summary

Fund launch	5 July 2007
Total value of investments	USD 140 million
Cash, cash equivalents and receivables	USD 275 million
Total NAV	USD 415 million (28 December 2007)
Fund domicile	Cayman Islands
Legal form	Exempted company limited by shares
Structure	Single class of ordinary shares listed on the AIM market of the London Stock Exchange plc
Investment manager	VinaCapital Investment Management Ltd.
Investment focus	Medium-term capital gains with some recurring income through investments in the following infrastructure and infrastructure related sectors: Energy; Transport; Telecommunications; and Water utilities.
Investment focus by geography	Greater Indochina comprising: Vietnam (minimum of 70%); Cambodia; Laos; and Southern China.

Performance update

The total value of VNI investments at end December 2007 is USD 140 million. Investments already approved but not yet disbursed amount to approximately another USD 100 million. These projects are currently undergoing due diligence and/or documentation. We are hopeful that the majority of these approvals will translate to actual investments over the coming months. The goal of being fully invested within two years of inception is well on track.

The Fund was launched in July 2007 with an NAV of USD 0.97 per share. Since then, VNI has successfully invested into power companies, industrial park development and telecommunication infrastructure services. By the end of 2007, VNI's NAV per share has reached USD 1.03. This represents a 3% increase from the previous quarter's close of USD 1.00 per share, or a 6.2% increase since inception.

One of the key strategies has been to invest in infrastructure groups which are developing specific infrastructure projects. ITACO is a case in point. They are one of the most established industrial park developers in Vietnam, and have recently been approved by the Government to build over 5,000 MW of coal-fired power plant capacity (over several years) to help cope with the current power shortages in Vietnam. Although the planning period, including negotiation of the power purchase agreement, will take at least a year, we believe VNI will be in an excellent position to invest in these power plants (at the project level) in due course.

VNI's overall investment strategy remains intact; to focus on fast growing infrastructure sectors. We will look to diversify the portfolio further into other infrastructure areas such as transportation and telecommunications. As described below, the investment pipeline remains very healthy and a number of projects are now undergoing due diligence and documentation.

Top 5 investments

Project	Sector	% of equity in investee company	Investment cost (USD '000)
Tan Tao Industrial Park Corporation (ITACO)	Energy / Industrial Park Development	7.5%	43,682
Pha Lai Thermal Power JSC (PPC)	Energy	2.0%	25,014
Song Da Urban and Industrial Zone Development and Investment (SJS)	Energy / Industrial Park Development	1.2%	16,923
Can Don Hydro Power JSC (SJD)	Energy	13.6%	10,019
Binh Chanh Construction and Investment Company (BCCI)	Construction / Industrial Park Development	2.6%	4,543

New investments

Tan Tao Industrial Park Corporation (ITA)
VNI has successfully completed its additional investment to purchase a further 5 million shares in Tan Tao Industrial Park Corporation, increasing VNI's total interest in the company to a 7.5% equity stake. This was purchased at a discount of 24% to the market price as at the end of December 2007.

The Ministry of Industry and Trade has approved the expansion of the power plant invested by ITA in Long An, enabling the plant to become an electricity centre of the province. The plant's initial capacity of 600MW may be raised to 1,200-1,800MW. ITA is cooperating with the Institute of Energy to prepare a new development plan for the project. In addition, ITA-Power Joint Stock Company, a subsidiary of ITA, is also working with Black & Veatch and Sumitomo to choose the most effective technology solutions for the project. ITA is listed on the Ho Chi Minh Stock Exchange (HoSE).

Binh Chanh Construction and Investment Joint Stock Company (BCCI)
VNI has invested USD 4.5 million in Binh Chanh Construction and Investment Joint Stock Company, a 2.6% equity stake. The shares were purchased at a discount of 41% to the prevailing market price as at the date of signing. BCCI's scope of operations includes industrial construction, construction consulting, and infrastructure development. The company has invested in Le Minh Xuan Industrial Park, Le Minh Xuan Industrial Park's expansion, and Phong Phu Industrial Park, all located in Binh Chanh District, HCM City. We are exploring opportunities for VNI to work together with BCCI on Industrial Park projects and an announcement will be made in due course.

Ha Thanh Securities Company (HTS)
VNI has invested USD 2.3 million in the shares of Ha Thanh Securities Company comprising 5% of its equity interest. The other main shareholder of HTS is Electricity of Vietnam Group (EVN is the national power utility of Vietnam) at 45%. HTS is a licensed stock broker and investment company.

Despite the small investment in HTS, it provides an important strategic relationship with EVN. There has already been significant deal flow of energy projects since the investment in HTS, and we continue to explore further opportunities jointly.

Song Da Urban and Industrial Zone Development and Investment Joint Stock Company (SJS)
VNI has invested USD 16.9 million in the shares of Song Da Urban and Industrial Zone Development and Investment Joint Stock Company. Its broad range of operations includes investment, planning and design consulting of industrial zones, building contractor, and manufacturing building materials.

Global Electrical Technology Corp (GLT)
VNI has purchased a 28.5% equity stake in Global Electrical Technology Corp. Its main business is the development, installation and leasing of the Base Transceiver Station (BTS) towers in Vietnam. The business comprises the construction of telecommunication towers and subsequent lease back to mobile phone operators. GLT has received and implemented orders for this business in Can Tho, southern Vietnam. With more than 50 towers already in place, another 800 are projected to be deployed.

Pha Lai Thermal Power Joint Stock Company (PPC)
VNI continues to acquire shares in PPC. As of 31 December 2007, we have accumulated USD 24.9 million in shares. PPC is one of the largest power plants in Vietnam with a total

installed capacity of 1,040MW. It comprises 4 blocks of 110MW, and 2 blocks of 300MW. The PPC turbines have been operating above design capacity due to the current energy shortage in Vietnam. The company is planning to build new power plants, which upon completion will almost double present capacity. PPC is presently 61% owned by Electricity of Vietnam (EVN).

Can Don Hydro Joint Stock Company (SJD)
VNI has invested USD 10 million in the shares of SJD. It has an installed capacity of 78MW. SJD is located on the Song Be river in the Binh Phuoc province, southeast Vietnam. This location has the fastest growth rate in the country, and is an economic, industrial and technological centre as it includes HCM City, Vung Tau, Bien Hoa and Binh Duong provinces. SJD plans to build more small to medium size hydro power plants. It is presently 51% owned by Song Da, one of the leading conglomerates in Vietnam.

Media Highlights

Million dollar Rolls Royce airmailed to Vietnam
DPA
30 January 2008

Hanoi - A Ho Chi Minh City woman said Wednesday she had spent 1.3 million dollars to buy a Rolls-Royce and fly it to Vietnam before the Lunar New Year, or Tet, in a vivid illustration of the country's growing appetite for luxury goods.

Real-estate tycoon Duong Thi Bach Diep said her custom-made car, a Rolls-Royce Phantom 2008, had arrived in Ho Chi Minh City on a China Airlines flight Tuesday night.

“I cried when I first saw it," Diep said. “All the security and customs officials at the airport shared the joy with me when it arrived."

Vietnam remains a poor country, with average annual incomes under 900 dollars per year. But the economy has grown at over 7 per cent annually since 2001, and foreign investment has flooded in.

Real estate prices in Ho Chi Minh City, where Diep's firm operates, rose 80 per cent or more in 2007, reaching thousands of dollars per square metre in downtown areas.

The new wealth has fuelled a taste for foreign goods, including cars.

“Vietnamese people are buying more and more expensive cars now," said Nguyen Thanh Binh, owner of an imported car dealership in Hanoi.

“People's need to show off their wealth, in order to facilitate their business, is rising."

The need to show off is particularly sharp during Tet, when Vietnamese visit their families and friends to exchange seasons' greetings. The holiday begins this year on February 7.

Vietnam's monthly trade deficit hit a billion dollars in January, with car imports more than tripling year on year, to almost 50 million dollars a month.

The imports are driven in part by a drop in auto import tariffs to 60 per cent, required under the terms of Vietnam's entry to the World Trade Organization in 2007.

Eleven major auto companies, including Toyota, GM, and Mercedes-Benz, have manufacturing operations in Vietnam, established when import tariffs were over 200 per cent. With the new, lower tariffs, manufacturers say it is becoming more economical to import cars than to manufacture them locally.

Mercedes-Benz recently became the first auto manufacturer in Vietnam to acquire a license to import fully assembled cars.

“We are finalizing the procedures to import the first batch now," said Tran Tien Dung, deputy sales manager at a Mercedes-Benz dealership in Ho Chi Minh City. “I'm sure our sales will increase rapidly when we start selling imported cars. The demand for upscale cars in Vietnam is very high.

Vietnamese tend to believe imported cars and motorbikes are of higher quality than those manufactured locally.

Diep said her motives in buying the car had been partly patriotic.

“I'm so proud of the car," Diep said. “This will show the world that Vietnam is not a country of poverty and war, but a lucrative market."

Vietnamese motorcyclists learn to love the 'rice cooker'
AFP
12 December 2007

HANOI — Battling an alarming road toll, Vietnam is launching a new push to make motorcycle riders wear crash helmets and change attitudes about the device widely derided here as the "rice cooker."

From Saturday, thousands of additional police will swarm out nationwide and impose stiff fines to enforce the new law on communist Vietnam's surprisingly anarchic roads which are choked with 22 million motorbikes.

A similar road safety drive buckled under public pressure five years ago -- but this time the government has made clear it's serious, spreading the word on propaganda banners, state television and over neighbourhood loudspeakers.

Many Vietnamese, sensing the change is for real, have rushed to new shops that have cropped up across the country and are stocked with millions of shiny new helmets, many from China.

"The people are finally ready to accept it," said Greig Craft, whose non-profit Asia Injury Prevention Foundation has campaigned for nine years to get Vietnamese motorcycle drivers to protect their heads.

"They're not happy to do it, but they're ready to face the facts."

Vietnamese traffic is a sight to behold -- motorcycles carrying entire families, bicycles, cyclos, cars and smoke-belching buses pour through cities and make crossing streets a perilious exercise.

To Craft, it's a war that claims over 30 lives day.

"It's a war from the standpoint that people are being slaughtered," he said.

"It's the innocents who are dying -- young people and children. The hospitals are full 24 hours a day, seven days a week. In some ways even more tragic are the number of head injuries and cases of brain damage."

Vietnam has fallen in love with the motorcycle, a symbol of its post-war economic development, but they have been far less happy to adopt helmets.

"That rice cooker is bad for my look," complained Nguyen Linh Tam, a 21-year-old student with a trendy scooter and a bright blond mop of hair, the latest in South Korean-inspired urban hip.

"If the police don't get too tough, I won't wear a helmet. Let's see what other people do."

Craft has heard it all before.

"Vietnamese have a million reasons not to wear a helmet," he said. "It messes up my hair. It makes me look like I'm from the countryside. I'm not going very far. I can't hear. I can't see. It's too hot."

To change attitudes, Craft has lobbied government leaders, organised pop concerts, had Miss Vietnam 2006 Mai Phuong Thuy put on a helmet, and launched hard-hitting advertising campaigns with graphic images of road victims.

It's starting to pay off.

Craft estimates the ratio of riders wearing helmets has risen from three percent half a year ago to a respectable 10-15 percent in the cities this week, and up to 80-90 percent in some rural areas.

His group manufactures a tropical standard, bicycle-style helmet that is cooler and frees up peripheral vision. Daily sales have shot up from a few dozen a year ago to 3,000-5,000 today, he said.

Craft has watched the last-minute rush with satisfaction.

"What we have seen in the past 48 hours is almost unbelievable," he said. "The population has now given up on the notion that the government is going to change their mind at the 11th hour."

Not everybody is on board just yet.

In the remote northern Son La province, ethnic Thai communities -- whose married women traditionally grow their hair several metres long and tie it into enormous buns -- say no helmet on the market fits their hairstyles.

In Hanoi, Tran Van Tuan, a veteran motorcycle taxi driver, has bought two helmets already but is enjoying the last days of the wind blow through his hair as he ducked and weaved through thick urban traffic.

Asked why, he gave a reason not even Craft has heard before.

"When everybody starts to wear rice cookers on their heads," he said, "we will look like we all come from another planet. We'll look like we're living in the 25th century."

Wedding day blues
VIR, By Thanh Thu
4 December 2007

Wedding season has been in full swing over the last few weeks in Hanoi and scores of dolled up brides and dapper grooms have been grinning ear to ear throughout the capital city.

But spare a thought for the unlucky parents who footed the astronomical bill for the happy day as Vietnam's vibrant economy has seen a marked increase to prices for all wedding services and an extravagant party now hits the wallet harder than ever before.

The rate of inflation has led to a near 10 per cent price hike year-on-year according to the General Statistics Office.

Food and catering services have seen an increase to the tune of 14.89 per cent year-on-year. The price of foodstuffs is said to have been affected by floods continuously hitting the country's central region. So bad news for those with extravagant wedding-cake plans.

Nguyen Thi Mai, who sells betel leaves and arecas, a traditional wedding decoration in Vietnam, claims her prices have only gone up fractionally.

"It is VND1,800 for an areca, only VND300 higher than last year. But on average, each tray needs 200 pieces," says Mai.

Pensioner Nguyen Tao Du would argue it all adds up. His son Mau is getting married next month. Both Mau and his fiancée Thu work in a factory. Everyone is trying to figure out how to organise a decent wedding ceremony on a tight budget.

"We can only buy cheap wedding cards because there is so much to organise," Mau says, while browsing through card samples.

"The price of cards has gone up from this time last year," admits Nguyen Cong Doan, the manager of a company that offers various services for weddings in Hanoi. He says the prices of card and printing ink has gone up, so he's forced to raise his prices accordingly. The price-hike for cards is also marginal but if you have a guest list of a few hundred people, again, it all adds up.

"Couples are definitely more interested in prices rather than materials this year," Doan adds

Less bling for weddings

Nguyen Manh Hung and Luu Thien Ngan are at a jewelry shop in Hanoi's Hang Bong street, trying out finger-rings, earrings and necklaces.
"We are looking for a pair of wedding rings at a medium-ranged price, but even that price is relatively high now," says Ngan.

In Vietnamese traditional culture, gold is an indispensable factor for wedding ceremonies. Often, gold rings, earrings or necklaces are typical keepsakes that are believed to bring wealth to the couple's future life.

However, over the past few months, the price of gold has risen at a dizzying speed.

“Gold has increased VND200,000 to VND250,000 per chi (one tenth of a tael) compared to this time last year,” says Nguyen Kim Lien, head of Kim Lien jewelry shop in Hanoi. Lien claims gold prices always increase at the end of the year during wedding season, but this year is unprecedented.

“Increasing oil prices and a depreciating dollar, plus the demand for gold in India, China and Middle East often increases at the year-end, it’s all contributed to this increase in gold prices,” explains Lien.

This year couples are requesting lighter rings as a result. For example, the average weight of a pair of rings was 1.3-1.5 chi last season, but is only 1-1.2 chi this season at jewelers surveyed by Timeout.

Counting the cost

In Vietnamese culture parents tend to finance the wedding ceremonies and party for their children. So Nguyen Tao Du is no exception. When I catch up with him he’s calculating the number of tables planned for Mau’s wedding ceremony as the cost per table is troubling him.

“It used to be VND420,000 per table but it will be VND480,000 this year,” Du says. “So, we will have to spend at least VND30-35 million for the wedding. That’s a year’s work for our family.”

The financial pressure means that he may not be able to invite all his friends and relatives.

Nguyen Van Tien from Song Hong restaurant on Hoang Quoc Viet street, is worried such attitudes might affect his business.

“We don’t want to increase prices as that means we risk losing guests. But the prices of gas, meat, vegetables and oil have all been rising,” Tien says.

Sure enough, Du’s family decides to have the wedding party catered at home, to minimize costs. Other families are not so fortunate and must find a restaurant.

Besides the costs for cards and parties, this year the price of renting wedding dresses has rocketed.

“Yesterday we booked a plain wedding dress for VND850,000, that’s VND200,000 more than last year,” says Nguyen Mai Thu, Mau’s fiancée.

Make-up services are also up by 12-15 per cent and Mau also points out that hiring a car is more expensive thanks to the steep rise in petrol prices.

Despite all the financial headaches, his father is determined to make the big day a memorable one.

“Though the price of everything has gone up, we will try our best to hold a decent wedding party,” says Du.

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