

Message from the Investment Manager

Dear Shareholders,

We are pleased to present the quarterly report for the VinaCapital Vietnam Opportunity Fund Limited (VOF), VinaLand Limited (VNL) and Vietnam Infrastructure Limited (VNI) for the three-month period ending 31 December 2010.

The FY2010 annual accounts for the funds were released during the last quarter, and are available on our website at the links below:

[VOF final results June 2010](#)

[VNL final results June 2010](#)

[VNI final results June 2010](#)

VinaCapital in January opened a subsidiary office in Cambodia, VictoryCapital, to begin more actively exploring investment opportunities there. We will keep our shareholders informed of any new investments in Cambodia, a country with exciting prospects, particularly in hospitality, real estate and infrastructure – areas that may potentially involve all three of our AIM funds.

For the quarter ending 31 December 2010, VOF's NAV rose to USD778 million, or USD2.40 per share, compared to USD769 million at the end of September 2010. The share price over the quarter rose 19.7 percent, to USD1.88 from USD1.57 at the end of September. The increase in the fund's NAV is mostly accounted for by gains in the capital markets portfolio, including the exit from Vinacafe at an IRR of 45 percent over five years. In addition to acquiring the stake in Thai Hoa Group, the quarter saw VOF buy a stake in Binh Dien Fertiliser JSC.

After the quarter ended, VOF announced the sale of its equity stake in Hanoi Liquor JSC (Halico) to international drinks firm Diageo plc. The sale of the 23.6 percent stake in Halico for USD51.6 million, one of Vietnam's biggest ever private equity deals, resulted in a 5.3x gain over four years.

VNL's NAV was USD1.38 per share at the end of December, a gain of two cents per share over the 30 June 2010 audited result of USD1.36 per share. Over the second half of 2010, two rounds of revaluations resulted in an accrual of four cents per share, while management fees amounted to two cents per share, resulting in an aggregate H2 2010 gain of two cents. The share price has continued to recover over the past month, rising to USD0.99 at the end of December, from USD0.93 at the end of November.

VNI's NAV remained unchanged at USD0.59 per share at the end of December 2010. During early November trading, the share price rose to match its 52-week high of USD0.41 but finally closed December at USD0.37, only a slight increase from USD0.36 at the end of September.

VinaCapital will hold an investor conference call in February 2011, and will participate in the LCF Edmond de Rothschild Emerging Markets Funds Conference in early March. We hope to have the opportunity to speak with many of our shareholders over the coming months, to further update you on Vietnam's current investment climate and the prospects for our funds.

Vietnam begins the Year of the Cat (not Rabbit!) with great promise for increased economic stability and continued growth. We look forward to the new year.

Very truly yours,

Don Lam
 CEO
 VinaCapital Group

Performance summary

Most recent NAV:	VOF (31 Dec 10)	VNL (31 Dec 10)	VNI (31 Dec 10)
NAV per share (USD) ¹	2.40	1.38	0.59
Return (%) ²	(from Nov 10)	(from Sep 10)	(from Nov 10)
Previous NAV	2.9	-2.1	1.9
2010	-0.8	3.8	-11.7
Since inception	147.1 (30 Sep 03)	42.3 (22 Mar 06)	-30.0 (5 Jul 07)
Issued shares ³	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	778	688	235
Market cap (USDm)	611	495	149
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

¹ Unaudited. VOF and VNI NAVs are updated monthly, VNL NAV is update quarterly.

² Adjusted for dividends/distributions (see VNI, page 5).

³ VNI holds 930,700 shares in a treasury facility.

VinaCapital will be presenting at the LCF Edmond de Rothschild Securities Emerging Markets Funds Conference in London, March 2011.

Please contact funds@lcf.co.uk for details.

Market update
Capital markets and economy

The Vietnam Index gained 6.6 percent over Q4 2010, reaching a 52-week low of 420 points in mid-November before recovering in December to close the year at 485 points. For 2010, the VN Index lost 2.0 percent in VND terms (and 7.2 percent in USD terms). The capital markets performance in December was overshadowed by the Vinashin debt controversy, which threatens to greatly raise the cost of international debt for Vietnam. Foreign indirect investment (FII) into Vietnam's stock market lagged regional peers in 2010, despite the attractive trailing PE ratio that was under 10x for most of the year. The State Bank reported that FII into Vietnam's stock markets was USD800 million for the year through November, much less than neighbours Indonesia, Thailand and the Philippines.

Remittances up 25.6% to USD8.4bn

Nonetheless, foreign investors have remained net buyers in consecutive months since October 2009, for total net buying of USD765.3 million during that period. FII net inflows have played a small role in improving Vietnam's balance of payments. Overseas remittances are expected to be USD770 million in December, raising the total for 2010 to USD8.4 billion, up 25.6 percent from 2009. Along with ODA, Vietnam's inflows are enough to cover the trade deficit of USD12.4 billion. As the trade deficit is financeable, it should not further impact Vietnam's low foreign reserves (estimated by the IMF to be USD14.1 billion).

China continues to be the source of almost 25 percent of Vietnam's total imports, particularly as the source of raw materials, machinery and equipment used for production. The bilateral deficit with China in 2010 is expected to be 105 percent of the national deficit (ie. Vietnam is in a trade surplus without the China deficit). This is the first time the bilateral deficit has exceeded the national deficit, and is considered a problem given the risks of depending so heavily on one import market.

Textiles and garments take top export spot

Vietnam's export performance was generally positive in 2010, with hope for further gains in 2011. Export value rose 25.5 percent in 2010, with garments and textiles for the first time posting a yearly turnover of USD11 billion, for top spot on Vietnam's list of 26 major export goods. Seafood and footwear overtook crude oil for the second and third spots on the export list. Crude oil export turnover decreased by 20 percent to USD5 billion in 2010. Export turnover is expected to rise by 10 percent in 2011.

Vietnam's domestic economy in 2011 will be shaped largely by monetary policy, as the State Bank looks to control inflation, which reached 11.8 percent at year-end. Credit growth is forecast to increase by 23 percent, below the 27.7 percent seen in 2010. Including gains in the exchange rate and gold prices, loans jumped 29.8 percent in 2010, the State Bank reports. In 2011, the State Bank states on its website that it will manage monetary policy in a "cautious, proactive and flexible manner."

VN Index	31 Dec 10	31 Dec 09	52 wk low	52 wk high
Close	484.7	494.8	423.9	549.5
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	7.3	(2.0)	14.3	(11.8)
Trailing PER (x)	10.6	Est. PER 2010 (x)	10.6	
Trailing P/B (x)	2.0			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	10.3	11.0	11.5	11.8

Macroeconomic indicators and forecast				
	2009	Dec-10	2010	Y-o-Y change
GDP growth ¹	5.3%		6.8%	6.8%
Inflation	6.9%	2.0%	11.8%	11.8%
FDI (USDbn)	21.5	5.3	18.6	-17.8%
Imports (USDbn)	68.8	8.5	84	20.1%
Exports ² (USDbn)	56.6	7.1	71.63	25.5%
Trade deficit (USDbn)	12.2	1.4	12.4	-5.2%
Exchange rate ³ (USD/VND)	18,479	19,500	5.5%	5.5%
Bank deposit rate (VND %)	9.8-10.5%	12.0-14.0%	n/a	n/a

Note: GDP figure updated quarterly. Exchange rate is Vietcombank ask rate at end of period. Sources: GSO, SBV, VCB.

¹ Annualised rate. ² Includes gold. ³ State Bank central rate.

HCM City residential market slows; Hanoi heats up

Real estate market

Ho Chi Minh City saw new residential launches drop 50 percent in Q4 2010 over the previous quarter, as developers held back until Q1 2011 over concerns market demand would weaken in response to high interest rates, the rising gold price and increasing pressure on the Vietnam dong. Deals closed decreased 20 percent despite a 12 percent increase in the number of inquiries. Prices remained stable on the secondary market.

In Hanoi, secondary market asking prices rose, as the year-end is the most active home-buying season of the year. Over the quarter, Hanoi saw new launches totalling 3,790 units, nearly doubling the number launched in the previous quarter.

Retail market to add 126,000sq.m in 2011

Foreign retailers continue to enter the Vietnam market by partnering with local companies. FamilyMart opened four convenience stores in HCM City in this manner over the past year, and Japan's Takashimaya and Isetan Mitsukoshi are also considering expansion. With constant interest from overseas players, the retail market is expected to see continued supply shortages despite the expected completion of 126,000sq.m GFA of new retail space in 2011.

In HCM City, Q4 2010 saw vacant shopping centre space increase by 1.9 percent to 8.7 percent of total retail area. In the CBD, however, the shopping centre vacancy rate was 4.5 percent, a decrease of 1.3 percent from the previous quarter. The change was due to Vincom Center gradually filling and Zen Plaza reopening with 100 percent occupancy.

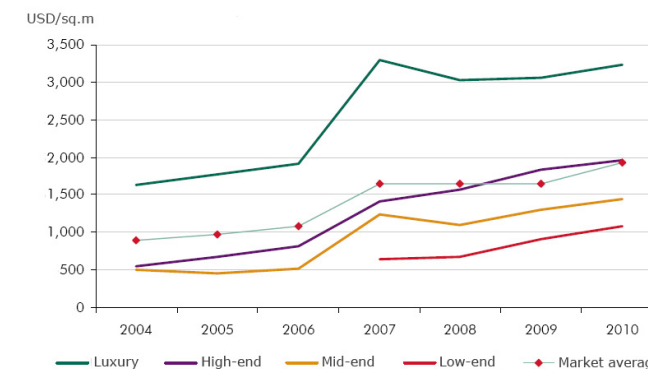
Bitexco adds to office market oversaturation

October 2010 saw the completion of Bitexco Financial Tower, at 68 storeys the highest building in Vietnam. The building releases 37,710sq.m of Grade A office space into an already oversaturated market, with the CBD's highest rental rates of USD48-58/sq.m/month. Together with the launch of three Grade B office buildings in the last quarter, it is no surprise that the total vacancy rate for all office grades rose to 17.5 percent, with average rental rates declining 2.4 percent quarter-on-quarter. It is a tenant's market and expected to remain that way for the medium term.

The hospitality market continued its recovery over Q4 2010, with year-on-year occupancy rising across all hotel grades. In HCM City, four-star hotels saw the highest average occupancy rate of 73.5 percent, due to the high level of service and room quality offered at more affordable prices than five-star competitors. The overall hospitality market saw 2010 RevPAR growth of 4.4 percent over 2009. The Hanoi market did particularly well due to the Thang Long-Hanoi Millennium Festival. The Grand Plaza Hanoi has been given a five-star designation after three months of operation. Tourism numbers should remain high during the lunar new year season in Q1 2011.

Real estate market indicators

Hanoi residential secondary market asking prices



HCM City office market, Q4 2010

	Grade A	Grade B	Grade C	Total
No. of buildings	9	39	202	250
GFA (sq.m)	304,380	638,869	704,967	1,648,216
Vacancy rate	39.1%	14.0%	12.0%	17.8%
Avr asking rent (USD/sq.m/month)	35.1	19.6	16.3	21.0
Change q-o-q	-4.5%	-2.4%	-3.9%	-2.4%
Change y-o-y	-13.2%	-11.2%	-13.1%	-9.1%

Source: CBRE Vietnam.

Performance update

For the quarter ending 31 December 2010, VOF's NAV rose to USD778 million, or USD2.40 per share, compared to USD769 million at the end of September 2010. The share price over the quarter rose 19.7 percent, to USD1.88 from USD1.57 at the end of September. The increase in the fund's NAV is mostly accounted for by gains in the capital markets portfolio. VOF over the quarter acquired stakes in Thai Hoa Group, an arabica coffee producer, and Binh Dien Fertiliser JSC.

VOF's top real estate holding, Sofitel Legend Metropole Hotel, had strong operating results in 2010. Revenue was up 25.6 percent on the back of the recovering industry, with average room rates rose to over USD200/night in the fourth quarter, versus the 2009 average room rate of USD189/night.

VOF 2010 PE 7.4x, PB 1.4x

Portfolio price multiples

The combined weighted P/E for the listed, OTC and private equity components of the portfolio (ie. the entire fund excluding real estate holdings) for 2007, 2008, 2009 and 2010 was 22.7x, 32.3x, 10.4x and 7.4x, respectively. Note that this uses the price as of 30 November 2010. The P/B ratio for the combined listed, OTC and PE portfolio for 2009 and 2010 was 2.0x and 1.8x, respectively. The P/B for the whole portfolio including real estate for 2009 and 2010 was 1.6x and 1.4x, respectively. The VN Index 2010 P/E and P/B at 30 November were 10.6x and 1.9x, respectively.

The estimated forward P/E (listed/OTC/private equity) for 2011, 2012 and 2013 are 6.0x, 5.3x and 4.6x, respectively (using price as of 30 November 2010).

FY2010 final results

Final results

On 10 December 2010, VOF published its final results for the financial year ended 30 June 2010. The NAV at 30 June was USD783 million, or USD2.41 per share, a 14.8 percent increase year-on-year. Net profit for the year was USD105 million, up from USD6.8 million in 2009, with earnings per share of USD0.32. Twelve VOF holdings listed during the period, resulting in a capital markets portfolio gain of 26.4 percent. The 2010 financial year also saw VOF's acquisition for minority stakes in Prime Group, Hoan My Medical Corporation and An Giang Plant Protection JSC.

Regulatory announcements and press releases

29 Dec 2010	Annual accounts	11 Oct 2010	September NAV
10 Dec 2010	November NAV	30 Sep 2010	Holding in company
10 Dec 2010	Full year results	10 Sep 2010	August NAV
12 Nov 2010	October NAV	3 Sep 2010	Director shareholding
27 Oct 2010	Strategic update		

Fund summary

VinaCapital Vietnam Opportunity Fund Ltd ("Vietnam Opportunity Fund" or "VOF") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VOF factsheet at www.vinacapital.com

Fund launch

30 September 2003

Term of fund

Five years subject to shareholder vote for extension

Fund domicile

Cayman Islands

Legal form

Exempted company limited by shares

Structure

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor

Grant Thornton (Cayman Islands)

Nominated advisor (Nomad)

Grant Thornton Corporate Finance

Custodian and Administrator

HSBC Trustee

Lawyers

Lawrence Graham (UK)
Maples and Calder (Cayman Islands)

Management and performance fee

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high watermark.

Investment manager

VinaCapital Investment Management Ltd

Investment policy

Medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: 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 percent), Cambodia, Laos, and southern China.

Top holdings at 31 Dec 2010

Top 5 listed investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 31/12/10 (USD '000)
EIB	5.0	53,047	42,176
VNM	2.6	9,029	39,832
HPG	4.8	15,282	30,337
OCG	11.4	11,661	16,210
KDH	15.2	6,539	14,356

Top 5 OTC investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 31/12/10 (USD '000)
An Giang Plant Protection	17.4	9,388	20,417
Halico	23.6	4,715	19,679
Nam Viet Oil	11.6	2,322	5,777
Lam Thao	7.1	3,068	3,312
Binh Dien Fertiliser	9.0	3,575	3,255

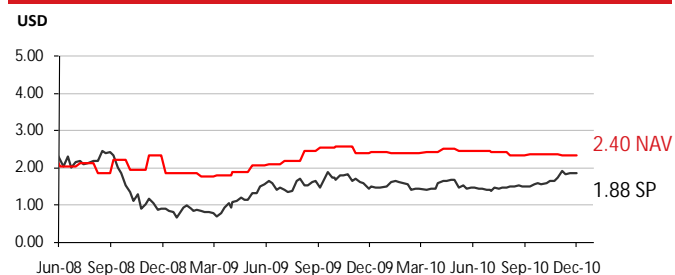
Top 5 real estate investments

Project	Investment type	Stake (%)
Sofitel Metropole	Hotel	50.0
Dai Phuoc Lotus	Township	18.0
Century 21	Mixed use	21.0
VinaSquare Tower	Mixed use	15.5
Hung Vuong Plaza	Mixed use	30.0

Top 5 private equity investments

Name of investee	Investment type	Stake (%)
Prime Group	Construction materials	7.1
Hoan My Hospital	Healthcare	28.9
COFICO	Construction	30.4
IBS	Construction materials	100.0
Thang Loi Textile and Garment	Consumer products	100.0

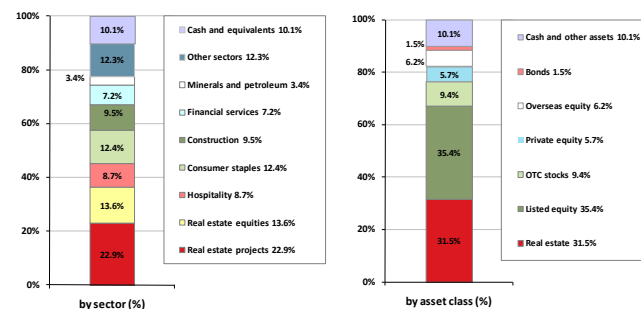
NAV and share price performance (31 Dec 2010)



Performance history (% change on NAV)

	2010	2009	2008	2007	2006
Jan	-1.1%	-1.3%	-2.9%	14.6%	3.9%
Feb	-0.3%	-3.7%	-10.2%	8.3%	6.3%
Mar	1.9%	1.7%	-11.8%	-0.6%	8.8%
Apr	3.0%	4.4%	-0.8%	-1.3%	7.6%
May	-2.5%	9.1%	-19.5%	5.1%	-1.0%
Jun	0.6%	2.2%	-4.7%	-0.8%	1.5%
Jul	-1.6%	3.8%	5.7%	-3.8%	-6.5%
Aug	-3.3%	12.2%	9.8%	0.0%	6.4%
Sep	1.7%	3.8%	-6.7%	8.1%	3.0%
Oct	-0.8%	1.2%	-12.4%	4.2%	1.0%
Nov	-0.7%	-6.5%	-1.9%	0.6%	13.5%
Dec	2.9%	0.8%	-2.1%	-0.6%	8.1%
YTD	-0.8%	29.7%	-46.6%	37.4%	64.9%
VN Index	-2.0%	56.7%	-66.0%	23.3%	144.5%

VOF portfolio (31 Dec 2010)



Performance update

VNL's NAV was USD1.38 per share at the end of December, a gain of two cents per share over the 30 June 2010 audited result of USD1.36 per share. Over the second half of 2010, two rounds of revaluations resulted in an accrual of four cents per share, while management fees amounted to two cents per share, resulting in an aggregate H2 2010 gain of two cents. The share price has continued to recover over the past month, rising to USD0.99 at the end of December, from USD0.93 at the end of November.

Danang projects update

VinaCapital continues to make excellent progress on development of the landmark Danang Beach Resort, VNL's top holding. At Ocean Villas Phase 2, 42 villas are nearing completion, with the close-out and quality checking of services and the fit-out ongoing. Construction of the villa enclave's distinctive water features is largely complete and the soft landscaping is in progress. Completion is expected by the end of February 2011. At The Dunes Residences villa enclave, construction of the show villa is complete and the first nine slabs poured. The Cham Condominium Block A superstructure construction is now completed, on schedule.

Also in the Danang-Hoi An region, the construction of the 35-storey The Azura condominium tower at World Trade Center Danang has reached the 13th floor. Progress is currently seeing one floor completed approximately every eight days. The basement structure is also underway. Completion is expected in December 2011.

At the Ceana Hoi An Villas and Resort, the majority of contracts are currently in the process of being placed for the project. The main contract tender drawings and documents have been received, and contractor mobilisation will begin after the lunar new year holiday.

My Gia Township, Nha Trang

Vinaliving, the sales brand for all VNL residential assets, launched Phase 1 of its new township in the central coastal city of Nha Trang in late November 2010. Phase 1, comprising 276 lots ranging in size from 100-300sq.m, now has 200 completed presale contracts, with 36 reservations. Phase 2 was launched on 4 December, with an additional 150 lots brought to market. Ninety Phase 2 lots have sold, with deposits taken. The My Gia Township project comprises over 150 hectares and features freehold villa and townhouse plots alongside schools, a hospital and shopping facilities, all within 10 minutes of the Nha Trang coastal strip, which features the VNL-owned Sheraton Nha Trang Hotel and Spa.

Fund summary

VinaLand Limited ("VNL") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VNL Factsheet at www.vinacapital.com

Fund launch

22 March 2006

Term of fund

Seven years subject to shareholder vote for extension

Fund domicile

Cayman Islands

Legal form

Exempted company limited by shares

Structure

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor

Grant Thornton (Cayman Islands)

Nominated advisor (Nomad)

Grant Thornton Corporate Finance

Custodian and Administrator

HSBC Trustee

Lawyers

Lawrence Graham (UK)
Maples and Calder (Cayman Islands)

Management and performance fee

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high watermark

Investment manager

VinaCapital Investment Management Ltd

Investment policy

Medium to long term capital gains with some recurring income through investment in the following real estate sectors: Office; Residential; Retail; Township/Industrial (large scale); and Hospitality and Leisure.

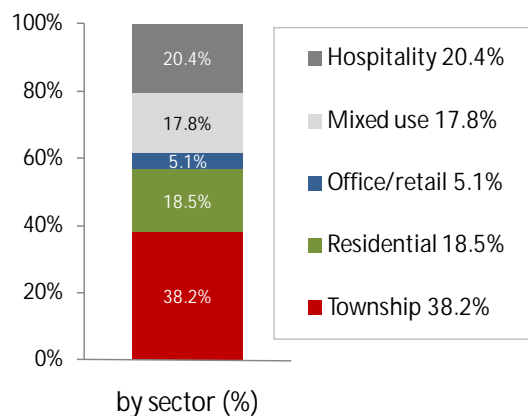
Investment focus by geography

Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.

Regulatory announcements and press releases

29 Dec 2010	Annual accounts	3 Nov 2010	Sale of asset
17 Dec 2010	Full year results	28 Oct 2010	Strategic update
14 Dec 2010	Result of EGM	11 Oct 2010	September NAV
12 Nov 2010	Notice of EGM	30 Sep 2010	Holding in company
8 Nov 2010	Holding in company	29 Sep 2010	Holding in company

VNL portfolio (31 Dec 2010)



Portfolio by geographic location (% NAV)

Hanoi	7%
Central provinces	27%
Ho Chi Minh City region	66%

Valuation breakdown (% NAV)

Assets held at cost	10%
Assets revalued	90%

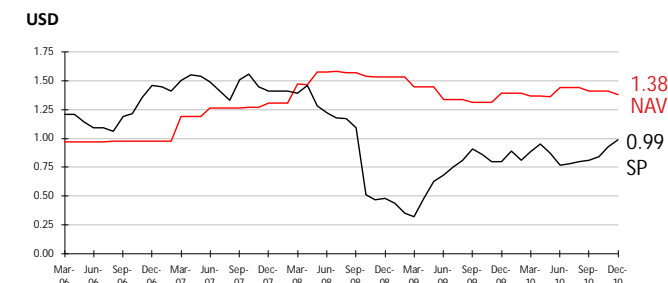
Holdings breakdown (% NAV)

Top 10 assets	61%
Remaining 28 assets	39%

Development status (% NAV)

Landbanking assets	17%
Development stage assets	72%
Operating assets	11%

NAV and share price performance (31 Dec 2010)



Quarterly performance history (% change on NAV)

	2010	2009	2008	2007
Q1	3.0%	-5.2%	12.5%	22.0%
Q2	-0.7%	-7.6%	7.1%	6.1%
Q3	3.7%	-2.2%	-0.4%	0.2%
Q4	-2.1%	1.5%	-2.5%	3.2%
YTD	3.8%	-11.3%	17.1%	33.8%

Major holdings

Project	Type	Status
Aqua City (Long Hung)	Residential	Planning underway
Century 21	Mixed-use	Under construction
Danang Beach Resort	Mixed-use	Sales underway
Dai Phuoc Lotus	Mixed-use	Under construction
Fideco Binh Duong	Township	Investment licence
HUD	Township	Planning underway
Pavilion Square	Residential	Investment licence
VinaSquare Tower	Mixed-use	Investment licence
My Gia Nha Trang	Township	Investment licence
Movenpick Saigon	Hotel	Operating asset

Performance update

VNI's NAV remained unchanged at USD0.59 per share at the end of December 2010. During early November trading, the share price rose to match its 52-week high of USD0.41 but finally closed December at USD0.37, only a slight increase from USD0.36 at the end of September.

While Vietnam's stock market lagged its regional peers in 2010, earnings results from VNI's listed holdings were largely positive. Petroleum Technical Services Corporation (PVS) reported a net profit of VND210.0 billion (USD10.8m), a 41 percent increase from third quarter of 2009. Vietnam Container Shipping JSC (VSC) also announced an increase of 21.2 percent in the bottom figure. Another large investee of the fund, PetroVietnam Drilling (PVD), representing 4.5 percent of the fund's NAV, saw strong performance in third quarter 2010, with revenue increasing by 87.5 percent year-on-year to USD116.6 million and net income increasing by 32.8 percent to USD15.8 million.

Notable events in the quarter include VNI investee Ho Chi Minh Infrastructure Investment JSC (CII) issuing a five-year convertible bond worth of USD25 million to Goldman Sachs at an interest rate of four percent. The bond grants Goldman Sachs an option to convert to equity beginning in the second year of the term at a fixed price of VND43,500 per share, a 27 percent premium compared to CII's closing price of VND35,700 at the end of December. Meanwhile, Global Infrastructure Investment (GII), a private equity investment, posted positive results for the first nine months of 2010. Revenue increased by 108.5 percent to USD2.3 million while net income rose by 48.2 percent to USD440,000. GII builds base transceiver station (BTS) towers and leases them to leading mobile operators in Vietnam. It currently represents 1.9 percent of VNI's NAV.

Regulatory announcements

29 Dec 2010	Annual accounts	4 Nov 2010	Strategic update
17 Dec 2010	Full year results	11 Oct 2010	September NAV
13 Dec 2010	November NAV	10 Sep 2010	August NAV
12 Nov 2010	October NAV		

Fund summary

Vietnam Infrastructure Limited ("VNI") is a closed-end fund trading on the AIM Market of the London Stock Exchange. Download the VNI Factsheet at www.vinacapital.com

Fund launch

5 July 2007

Term of fund

Ten years subject to shareholder vote for extension

Fund domicile

Cayman Islands

Legal form

Exempted company limited by shares

Structure

Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc

Auditor

Grant Thornton (Cayman Islands)

Nominated advisor (Nomad)

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Lawyers

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Management and performance fee

Management fee of 2 percent of NAV. Performance fee of 20 percent of total NAV increase over the higher of an 8 percent compound annual return and the high watermark

Investment manager

VinaCapital Investment Management Ltd

Investment focus

Medium to long term capital gains with some recurring income through investment in the following infrastructure and infrastructure-related sectors: Energy; Transportation; Industrial Parks; Telecommunication; and Water and environmental utilities

Investment focus by geography

Greater Indochina comprising: Vietnam (minimum of 70 percent); Cambodia; Laos; and southern China

Top holdings by sector at 31 Dec 2010
Energy

	Type	% NAV	Manager's comment
PVD	Listed equity	4.5	Oil and gas services; part of PetroVietnam Group.
Nam Viet Oil	OTC equity	4.2	First operating private oil refinery in Vietnam.
PVS	Listed equity	2.5	Oil and gas services; part of PetroVietnam Group.

Transportation and Logistics

	Type	% NAV	Manager's comment
Phu My	OTC equity	4.6	Owner and operator of BOT Phu My Bridge in HCM City.
VALC	Private equity	3.4	Aircraft leasing JV with Vietnam Airlines.
VSC	Listed equity	1.1	Provides logistics services for the shipping industry.

Telecommunications

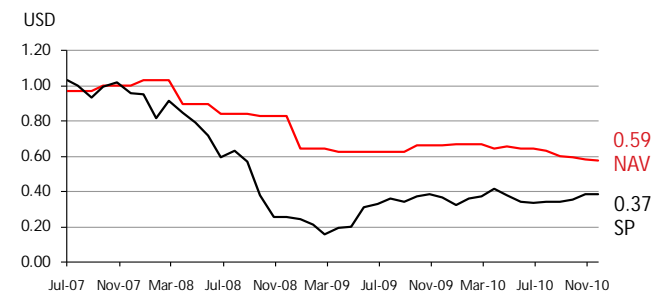
	Type	% NAV	Manager's comment
VNC-55	Private equity	3.8	Owns over 680 BTS towers.
MIDC	Private equity	3.2	Owns over 500 BTS towers.
GII	Private equity	1.9	Owns over 300 BTS towers.

Industrial parks

	Type	% NAV	Manager's comment
Long An SEA	Private equity	8.2	Major 708ha IP and port project in Long An province.
ITA	Listed equity	2.8	One of Vietnam's largest industrial park operators.
TIX	Listed equity	2.2	Owns Tan Binh IP, logistics and trading assets.

General infrastructure

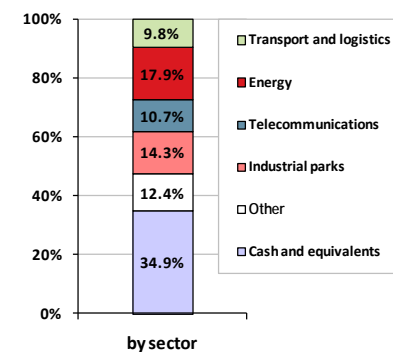
	Type	% NAV	Manager's comment
CII	Listed equity	3.9	Most successful infrastructure developer in southern VN.
DIG	Listed equity	2.6	One of Vietnam's leading township developers.
BCI	Listed equity	1.4	Top township developer in HCM City.

NAV and share price performance (31 Dec 2010)

Performance history

	2010	2009	2008	2007
Q1	-3.0%	-0.5%	-12.8%	n/a
Q2	-0.3%	3.7%	-6.7%	n/a
Q3	-7.8%	1.5%	-1.0%	2.9%
Q4	-0.8%	0.8%	-12.0%	3.1%
YTD	-11.7%	5.5%	-29.1%	6.1%

Total return since inception: -30.0%*

* Assumes dividends/distributions reinvested. VNI paid a USD0.10 per share capital distribution on 16 January 2009 (ex date 17 Dec 2008).

VNI portfolio by sector (31 Dec 2010)


VOF at 31 December 2010 held a 15.1% stake in An Giang worth USD20.4m

An Giang Plant Protection JSC

An Giang Plant Protection JSC (AGPPS) is currently the market leader in the manufacturing and distribution of pesticide. Formerly a state-owned enterprise, An Giang imports ingredients from Syngenta, the world's top agricultural input producer. Its products are distributed nationwide via a strong and extensive distribution network with 23 branches, almost 500 wholesalers, 4,500 retailers and representative offices in HCM city and Cambodia.

The company benefits from Vietnam's strong agricultural sector and significantly low penetration of modern crop protection chemicals, compared to regional agri-product producing countries. Over the past three years, An Giang has seen a compound annual turnover and net profit growth of 31 and 45 percent, respectively. The company expects to outperform in coming years based on expectations the agricultural sector in Vietnam will achieve strong growth of 15 percent yearly due to the consistent increase in commodities demand. For FY2010, net income rose to VND352 billion, from VND328 billion the previous year. For FY2011, AGPPS has targeted revenues of VND4.7 trillion and net income of VND0.4 trillion, which would be year-on-year increases of 17 and 14 percent, respectively.

AGPPS is filing for listing on the Ho Chi Minh Stock Exchange which is expected to get final approval in Q2 2011.

Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	FY10E
Revenue	2,353.3	3,176.3	4,000.0
Gross profit	579.9	912.5	1,080.0
Gross margin (%)	24.6	28.7	27.0
Net income	146.0	328.0	352.0
Net margin (%)	6.2	10.3	8.8
EPS (VND)	8,111.1	14,577.8	7,901.2
DPS (VND)	8,111.1	12,148.1	5,668.3
Balance sheet (VND bn)	FY08A	FY09A	FY10E
Total assets	1,050.2	1,538.1	1,999.1
Shareholders' equity	440.8	669.4	1,118.7
ROE (%)	33.1	49.0	31.5
Book value per share (VND)	24,488.9	24,792.6	18,014.5
Valuations (VND bn)	FY08A	FY09A	FY10E
PER (x)	9.4	6.3	7.4
P/B (x)	3.1	3.1	2.3
Dividend yield (%)	2.6	2.2	4.8

VOF at 31 December 2010 held a 2.6% stake in VNM worth USD39.8m

Vinamilk (VNM)

Vinamilk is the leading dairy products manufacturer and distributor in Vietnam, accounting for more than 30 percent of the market. VNM offers a wide range of products including fresh and powdered milk, condensed milk, yoghurt, and other drinks. The company's distribution network covers all supermarkets, 220 regional distributors and 15,000 retailers nationwide.

For FY2010, VNM targeted revenue and net earnings of VND13,000 billion and VND2,700 billion, respectively. The actual results are expected to reach VND16,000 billion and VND3,500 billion, respectively, surpassing the target by 23.0 and 29.6 percent. FY2010 year-on-year earnings growth is approximately 34.7 percent. VNM expects to outperform the broader market in coming years based on expectations the dairy industry in Vietnam will achieve strong growth of 15-20 percent per year, due to the young population and the very low dairy consumption per capita, at just 9kg per year compared to 24kg and 60kg for China and Europe, respectively.

During Q4 2010, the VNM board approved a 2:1 share dividend and a three percent new share issuance to the public, to be voted on at the next EGM. The VNM share price rose significantly after the announcement. VNM traded at VND86,000 per share as of 31 December 2010, at a 12-month trailing PE of 8.7x. With the foreign ownership limit reached, large foreign-owned blocks can be sold at a 30-35 percent premium to the market price.

Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	FY10E
Revenue	8,208	10,613	16,000
Gross profit	2,598	3,878	4,800
Gross margin	31%	36.5%	30.0
Net income	1,250	2,375	3,500
Net margin	15%	22.3%	21.8%
EPS	3,550	6,728	9,915
DPS	3,000	3,000	3,000
Balance Sheet (VND bn)	FY08A	FY09A	FY10E
Total assets	5,967	8,482	10,892
Shareholders' equity	4,665	6,637	8,305
ROE	26%	35.8%	42.1%
Book value per share (VND)	13,150	18,695	23,654
Valuations (VND bn)	FY08A	FY09A	FY10E
PER (x)	12.1	12.7	8.7
P/B (x)	3.2	4.6	3.6
Dividend yield	3.4	3.4	3.4

At 31 December 2010, VOF held a 1.4% stake in PVD worth USD7.8m, while VNI held a 1.9% stake worth USD11.1m

PetroVietnam Drilling Corp (PVD)

PetroVietnam Drilling Company (PVD), a subsidiary of state-owned PetroVietnam, is one of the largest oil and gas service providers in Vietnam, specialising in offshore drilling.

PVD was equitised in 2006 and listed on Ho Chi Minh Stock Exchange, where it is one of the biggest stocks, with a market capitalisation of USD590 million as of end December 2010. PVD is the largest domestic driller in Vietnam, currently owning four drilling rigs (three offshore, one in-land) and leasing three rigs. These seven rigs account for 60 percent of domestic drilling. In addition, PVD is also among the leading providers of other high-tech drilling services, and aims to increase market share by gradually replacing foreign contractors.

PVD expects to generate revenues of USD380 million and net profit of USD49 million in 2010, gains of 70 percent and 7 percent year-on-year, respectively. Despite high revenue growth in 2010, profit margin is expected to drop to 13 percent due to the launch of two new rigs, and the current oversupply of rigs in the region, that has left 20-30 percent idle and lowered the rig lease rate by 30 percent. Nonetheless, in 2011 PVD profit is expected to grow by 15 percent thanks to the launch of a fourth offshore tender assist rig. At 31 December 2010, PVS shares traded at VND53,000, equivalent to a P/E 2010 of 11.7 and a P/B 2010 of 2.4x.

Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	FY10E
Revenue	191	224	380
Gross profit	62	67	102
Gross margin	32%	30%	27%
Net income	46	46	49
Net margin	24%	21%	13%
EPS	6,830	3,884	4,520
DPS	2,500	0	1,000
Balance sheet (VND bn)	FY08A	FY09A	FY10E
Total assets	442	634	774
Shareholders' equity	107	217	264
ROE	43%	21%	19%
Book value per share (VND)	15,600	20,000	22,500
Valuations (VND bn)	FY08A	FY09A	FY10E
PER (x)	10.6	17.3	11.7
P/B (x)	4.6	3.4	2.4
Dividend yield	3.4%	0%	1.9%

At 31 December 2010, VOF held a 4.9% stake in DHG worth USD8.2m

Hau Giang Pharmaceutical (DHG)

DHG holds a leading position in the domestic pharmaceutical market with a five percent market share. Core products are antibiotics and pain-killers, accounting for more than 50 percent total revenue in 2009. However, medical supplements and traditional medicines are now diversifying the product mix.

DHG targets VND2.0 trillion in revenue and an after-tax net income of VND290 billion in 2010, which is 12.9 percent higher than 2009 in term of revenue yet 10.3 percent lower than 2009 in term of earnings, respectively. Earnings in 2009 were unusually high due to lower raw material prices from the beginning of the year as well as an extraordinary gain of VND35 billion from a change in accounting methods. FY2010 earnings are expected to reach VND320 billion, 10.3 percent above the forecast.

DHG plans to double capacity to over five billion units by starting construction of a new factory this year, due to complete by the end of 2012. The factory was built in a tax-exempt industrial park, which will save VND753 billion in tax costs over the next 25 years. DHG has one of the largest distribution networks in the country, consisting of 798 sales representatives, five branches, 44 sub-distributors and 44 company-owned retail pharmacies across 100 hospitals.

DHG shares trade at VND120,000 per share as of 31 December 2010, at a trailing PE of 10.0x and P/B of 2.5x.

Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	FY10E
Revenue	1,513	1,770	2,000
Gross profit	796	923	1,050
Gross margin	52.6%	52.1%	52.5%
Net income	136	357	320
Net margin	9.0%	20.1%	16.0%
EPS	6,795	13,421	12,003
DPS	2,500	2,500	2,500
Balance Sheet (VND bn)	FY08A	FY09A	FY10E
Total assets	1,134	1,521	1,775
Shareholders' equity	757	1,018	1,260
ROE	19.4%	35.0%	25.3%
Book value per share (VND)	37,678	38,270	47,368
Valuations (VND bn)	FY08A	FY09A	FY10E
PER (x)	13.2	9.0	10.0
P/B (x)	2.4	3.1	2.5
Dividend yield	2.1%	2.1%	2.1%

The manager update section provides investors with information on the policies and practices of VinaCapital Investment Management Ltd (VCIM), as well as updates on VinaCapital Group relevant to the performance of our investment funds.

Corporate governance structure

VinaCapital Group employs a strong corporate governance framework to ensure its AIM-traded funds protect shareholder value and seek high returns within an established risk framework structure.

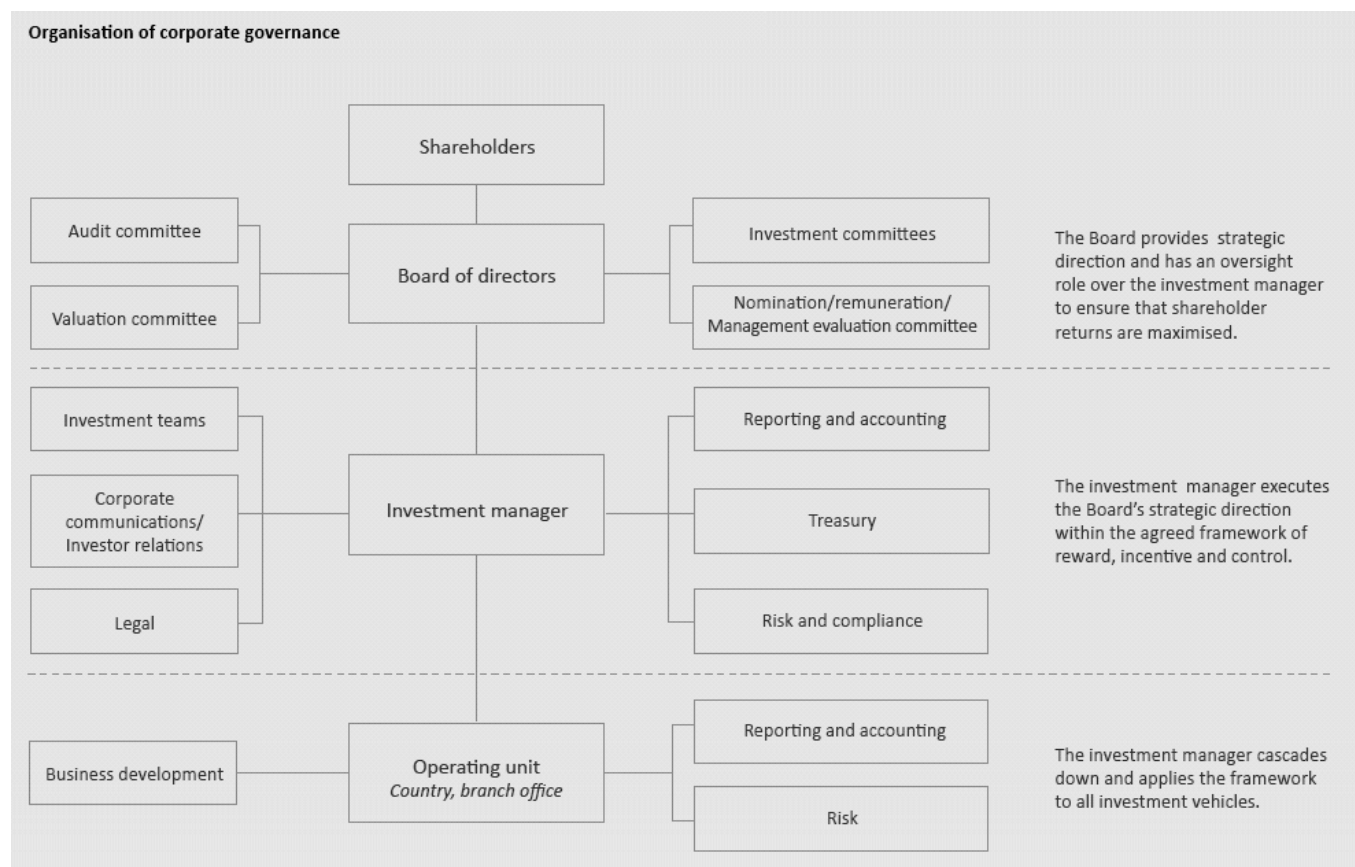
The corporate governance structure for each fund involves three levels - starting with the Board of Directors and continuing to the Investment Manager and the project and portfolio companies. The roles and responsibilities are diagrammed on this page.

The responsibilities of the Board of Directors

The Board is responsible for managing the Company on behalf of its shareholders. In order to create and deliver sustainable shareholder value, the Board established the objectives and policies of the Company, and ensured throughout the year the overall strategic direction was delivered within the agreed framework of reward, incentive and control.

Certain responsibilities of the Board are delegated to Board committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. Each Board committee's terms of reference endeavoured to follow the model terms of reference from the Institute of Chartered Secretaries and Administrators (ICSA). The committee's terms of reference set out the committee administration requirements, duties and responsibilities of specific areas. The Committee Chairman reports to the Board on matters discussed and any proposals requiring decision making.

A governance report detailing the actions of each Board over FY2010 will soon be available, in the narrative versions of the annual reports. Please see the reports at www.vinacapital.com ('News and reports').



Media highlights**Vietnam: Diageo thirsty for local alcohol**

27 January 2011 – FT

While a select class of wealthy Vietnamese men like nothing more than cracking open a bottle of Johnnie Walker with their mates at a karaoke bar, the vast majority of alcohol consumed here is home-made “rice wine” served in re-used plastic water bottles. [Read more.](#)

Diageo in spirits deal with Vietnamese distiller

26 January 2011 – BBC News

Diageo, the world’s largest spirits company, has struck a deal to boost its access to the Vietnamese market. [Read more.](#)

VinaCapital's next frontier

26 January 2011 – Phnom Penh Post

Investment group VinaCapital has launched a Cambodian subsidiary, allocating USD100 million for investments in the Kingdom. [Read more.](#)

Securities investors put high hopes on macroeconomic stability

24 January 2011 – Vietnamnet

The Vietnamese Government has announced that macroeconomic stability will be the top priority for 2011. Therefore, securities investors have one more reason to hope that the stock market will gain momentum in 2011. [Read more.](#)

As China rises, so does Vietnam

4 January 2011 – New York Times

One of the biggest beneficiaries of China’s rapid economic ascent is not China at all, but rather its historic rival, occasional enemy and fellow socialist neighbor to the south, Vietnam. [Read more.](#)

“The Halico exit is a clear indication that Vietnam offers excellent deal opportunities in the consumer goods sector, and other high-growth areas. This is our second trade sale in as many months, as multinational companies are looking at Vietnam as their next market for expansion – creating good exit opportunities for private equity investors.”

Andy Ho quoted in FT blog ‘Beyondbricks’

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VinaCapital Group

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VinaCapital's three AIM-traded funds.

Don Lam Chief Executive Officer, VinaCapital Group
Brook Taylor Chief Operating Officer, VinaCapital Group

Andy Ho Managing Director, Head of Investment
Tony Hsun Managing Director, Infrastructure
David Henry Managing Director, Real Estate
Stephen O'Grady Managing Director, Hospitality

Nguyen Viet Cuong Deputy Managing Director, Capital Markets
Dang P. Minh Loan Deputy Managing Director, Private equity
Kenny Low Deputy Managing Director, Infrastructure
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