

VN Index down 2.0% for 2010

Capital markets update

Continuing its momentum from the previous month, the Vietnam Index gained 7.3 percent in December 2010, closing the month at 484.7 points. This was in line with the MSCI Asia ex-Japan and Emerging Markets indices, which returned 6.4 and 7.0 percent, respectively. Since reaching a 52-week low of 420 points in mid-November, the VN Index has seen a strong recovery in investor activity, with trading volumes and values up significantly. For the year, the VN Index lost 2.0 percent in VND terms (and 7.2 percent in USD terms).

Trading value and volume rise sharply

The combined total trading value and volume for December on both Vietnam's stock exchanges was USD3.4 billion and 3.0 billion shares, up 126.7 percent and 114.3 percent month-on-month, respectively. Foreign investors were net buyers of USD78.3 million, although selling value increased 81.7 percent versus the previous month, compared to a 56.4 percent gain in buying value. Most foreign buying was in blue chips such as PVD, DPM, CTG, VCB and HAG. Net foreign buying for 2010 full year was USD822 million. Vietnam's market capitalisation at the end of December was USD31 billion, with an average estimated PE 2010 of 10.6x and a PB of 2.0x.

During the month, the government moved the deadline back one year for domestic commercial banks to raise their charter capital to VND 3,000 billion, to 31 December 2011. The State Bank lowered deposit rates to 15 percent, after one commercial bank raised its rates briefly to 17 percent.

Bond market stalls; investors await election results

Government bond issuances failed in December despite a higher ceiling rate, as double-digit inflation kept investors' expectations high. It is expected that the offer-bid gap will keep the market for new issuances inactive over the next month. Investors are waiting for the completion of the national elections in late January to see how any resulting economic measures affect the market.

Significant corporate actions included real estate developer HAG issuing 16.2 million shares worth USD60 million to Deutsche Bank, raising the bank's stake to 9.3 percent. HAG and VIC announced plans to raise a combined USD200 million in bonds and USD450 million in equity capital via listing on the Singapore stock exchange. The listing of Vietnam's largest domestic gas supplier, PVS, was completed in November, with 94.8 million shares auctioned, or 5.0 percent of total equity. The first 60.9 million shares sold for USD97 million, with the starting share price of VND31,000 representing a PE 2011 of 10.7x. The shares are now trading on the OTC market in the range of VND 30,000-32,000, with low liquidity.

Performance summary

Most recent NAV:	VOF	VNL	VNI
	(31 Dec 10)	(31 Dec 10)	(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	42.3	-30.0
	(30 Sep 03)	(22 Mar 06)	(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.

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

GDP beats target but loses out to inflation

Economy

Vietnam's GDP grew 6.8 percent in 2010, surpassing the original target of 6.5 percent. This result was due to the strength of domestic construction, manufacturing and consumption of goods and services. However, Vietnam's GDP depends on a sizable investment programme totalling 40 percent of national production, and high credit growth of 28 percent (exceeding the original target of 25 percent).

The target of holding inflation to single digits was also not met, as the CPI rose 2.0 percent in December, to bring full-year 2010 inflation to 11.8 percent. The main cause was the premature loosening of monetary policy in H2 2010, as bank credit and M2 money supply grew at 28 percent and 23 percent, respectively. The government has lowered the credit growth target for 2011 to 23 percent, and monetary policy tightening has already begun.

Gold speculation declines; VND supported

The gold price stabilised as the year ended, dropping below VND36 million per tael in jewellery shops. Aside from the decline in world gold price, speculation dropped off within Vietnam. This resulted in support for the Vietnam dong. The open market exchange rate in December reached VND21,500 per USD, before returning to VND21,000 even in early January – about seven percent above the official interbank rate of VND19,500 per USD. The State Bank has continued to supply more USD to the banking system in response to higher demand for foreign imports starting in Q4 2010 (the holiday shopping season). At the same time, the USD supply remained adequate to fund the trade gap of USD12 billion, with capital inflows coming from FDI (USD11 billion), remittances (USD8 billion) and overseas development assistance (USD3.5 billion). Nonetheless, deflationary pressures persist and it is widely expected that the VND will be officially devalued by 3-5 percent during Q1 2011.

Debt worries; cautious optimism for 2011

Vietnam has been in the international news lately for the Vinashin debt crisis and credit downgrades. Behind the bad news are economic challenges that are manageable if appropriate policy steps are taken. A concerted effort to lower inflation appears to be underway, which is a good first step. Greater exchange rate stability is also expected, partly as gold import permits have been extended to February 2011 to curb speculation, and a 10 percent tax on gold exports is now in effect. Market analysts are also waiting patiently for the completion of national elections at the end of January, as historical precedent is for elections to bring about renewed market stability and a positive outlook.

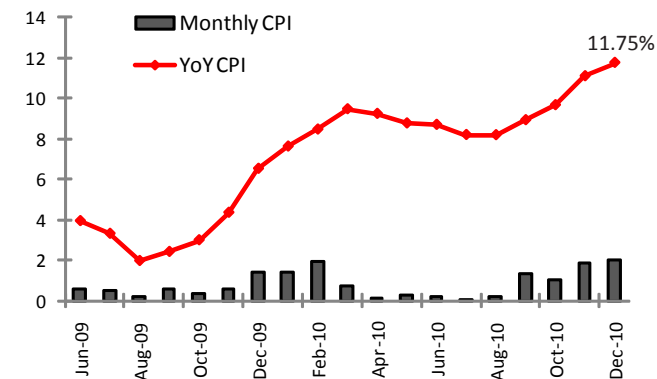
Macroeconomic indicators and forecast

	2009	Dec-10	2010	Y-o-Y change
GDP growth¹	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%
Exports² (USDbn)	56.6	7.1	71.63	25.5%
Trade deficit (USDbn)	12.2	1.4	12.4	-5.2%
Exchange rate³ (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.

CPI inflation rates, 2010



Portfolio developments

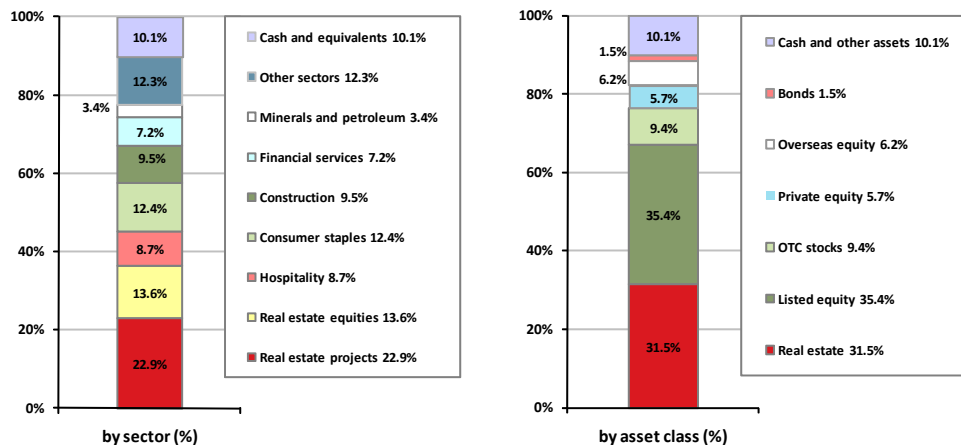
VOF's NAV rose to USD2.40 per share at the end of December 2010, from USD2.33 per share at the end of November. The gain was due to the capital markets performance and overseas listed equity Olympus, a gold mining firm that saw its share price rise significantly in December. The month also saw VOF exit its position in Vinacafe, Vietnam's largest coffee producer, for an IRR of 45 percent over five years.

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

Regulatory announcements

On 12 December, VOF announced its final results for the year ended 30 June 2010. Details are available at www.vinacapital.com/vof.

VOF portfolio (31 Dec 2010)



Major holdings (listed and OTC)*

	Type	Sector	% NAV	Manager's comment
VNM	Listed equity	Food products	5.1	Dairy firm with dominant market share.
EIB	Listed equity	Financial services	5.0	One of Vietnam's top joint stock banks.
HPG	Listed equity	Industrial	3.9	Major steel manufacturer.
An Giang	OTC	Agriculture	2.6	Leading agrichemicals distributor.
Halico	OTC	Food products	2.5	Spirits producer with top market share.

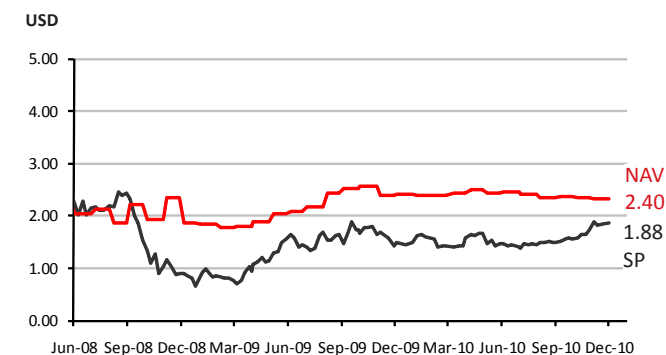
* VOF's holding in VNL (4.6% of NAV) is classified as 'Overseas equity.'

31 December 2010

NAV **2.40** per share (↑ 2.9%)

Total NAV: USD778 million

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%

Fund manager

Andy Ho

Fund background

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.

VOF targets 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.

Download the VOF Factsheet at www.vinacapital.com/vof

Portfolio developments

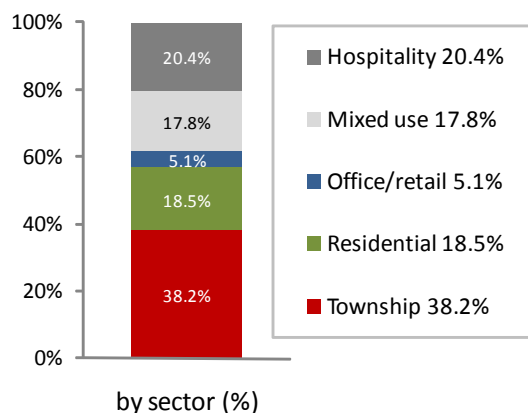
VNL's NAV was USD1.38 per share at the end of December, a gain of two cents per share over the 30 June 2010 audited result of USD1.36 per share. Over the second half of 2010, two rounds of revaluations resulted in an accrual of four cents per share, while management fees amounted to two cents per share, 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.

VNL's hotel portfolio saw improved operating results in 2010, a trend that is expected to continue in 2011. Particularly strong results were recorded by the fund's city-centre business hotels, such as the Movenpick Hotel Hanoi and Mercure La Gare Hanoi Hotel, which saw 2010 revenue rise 94 percent and 259 percent over 2009, respectively. The Movenpick Hotel Saigon completed its renovation and reopened in mid-2010, and as a result 2011 is expected to see revenue increase in line with the performance of the Hanoi hotels.

Regulatory announcements

On 17 December, VNL announced its final results for the year ended 30 June 2010. Details are available at www.vinacapital.com/vnl.

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)

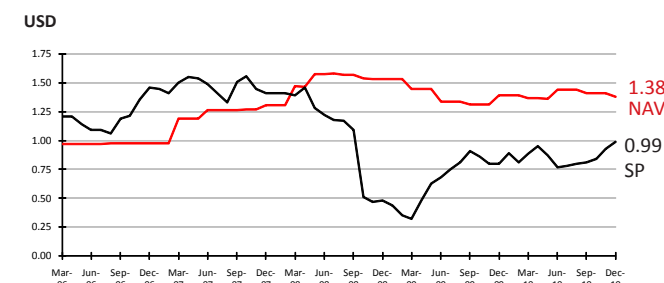
Landbanking assets	17%
Development stage assets	72%
Operating assets	11%

31 December 2010

NAV **1.38** per share (↓ 2.1%)

Total NAV: USD688 million

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

Fund manager

David Henry

Fund background

VinaLand Limited (VNL) is a closed-end fund trading on the AIM Market of the London Stock Exchange.

VNL targets 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.

Download the VNL Factsheet at www.vinacapital.com/vnl

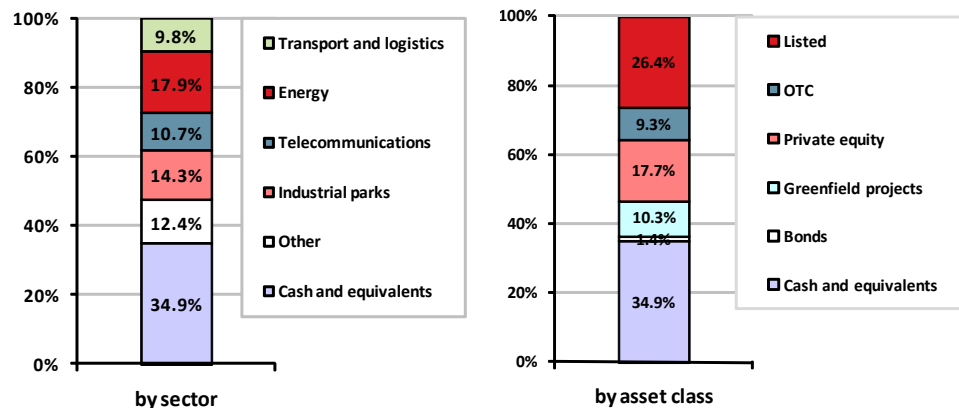
Portfolio developments

VNI's NAV increased to USD235 million at the end of December 2010, from USD231 million at the end of November. PetroVietnam Drilling (PVD), representing 4.5 percent of the fund's NAV, saw strong performance in Q3 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. Global Infrastructure Investment (GII), VNI's 49 percent-owned 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

On 17 December, VNI announced its final results for the year ended 30 June 2010. Details are available at www.vinacapital.com/vni.

VNI portfolio (31 Dec 2010)



Quarterly performance history (total return)*

	2010	2009	2008	2007	
Q1	-3.0%	-0.5%	-12.8%	n/a	* Assumes dividends/distributions reinvested. VNI paid a USD0.10 per share capital distribution on 16 January 2009 (ex date 17 Dec 2008).
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%	

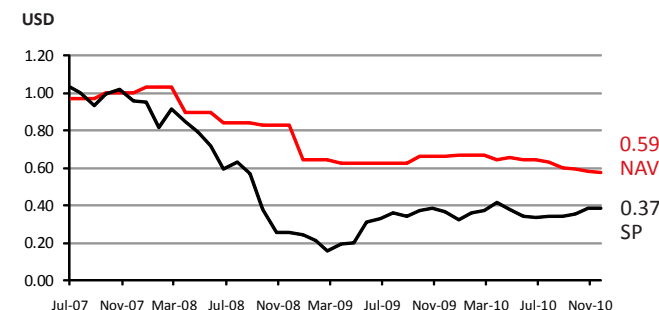
Total return since inception: -30.0%

31 December 2010

NAV **0.59** per share (↑ 1.2%)

Total NAV: USD235 million

NAV and share price performance (31 Dec 2010)



Major holdings

Name	Sector	Asset class	NAV (%)
Long An S.E.A	IP	Greenfield	8.2
Phu My Bridge	Transport	OTC	4.6
PVD	Energy	Listed	4.5
Nam Viet Oil	Energy	OTC	4.2
CII	Transport	Listed	3.9
VNC-55	Telecom	Private	3.8
VALC	Transport	OTC	3.4
MIDC	Telecom	Private	3.2
Tan Tao (ITA)	IP	Listed	2.8
DIG	General	Listed	2.6

Fund manager

Tony Hsun

Fund background

Vietnam Infrastructure Limited (VNI) is a closed-end fund trading on AIM Market of the London Stock Exchange.

VNI targets medium to long term capital gains with some recurring income through investment in the following infrastructure sectors: energy; transportation; industrial parks; telecommunication; and water and environmental utilities.

Download the VNI Factsheet at www.vinacapital.com/vni

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

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