

VN Index falls 2.6% in January

Capital markets update

Vietnamese equity markets fell 2.6 percent in January, with investors showing concern over potential policy moves to reduce liquidity and address import levels and inflation. The VN Index nonetheless outperformed the MSCI Asia ex-Japan index, which declined 6.1 percent in January. Foreigners were net buyers during the month, to the tune of USD30.6 million. The total trading value and volume for the month on both of Vietnam's stock exchanges rose 3.7 percent month-on-month.

Successful USD bond sale overseas

Bond yields are close to 12 percent across most durations, not surprising given the tight liquidity and the seasonal inflation peak associated with the Tet lunar new year holiday. During the month, Vietnam successfully sold a USD1.0bn sovereign bond issue at a coupon of 6.95 percent, and there appears to have been broad interest as the bond was priced 0.5 percent below the coupon ceiling. The sale of this bond has opened the door to further potential offshore debt issues, particularly by major industrial groups such as Vinashin and PetroVietnam. Nationally, foreign debt levels remain manageable at approximately 30 percent of GDP. Government VND bond sales to fund fiscal spending are likely to resume after Tet, with market consensus growing that another interest rate hike will occur in the weeks following the holiday.

2011 PE forecast at 10.1x

In the short term, the VN Index is likely to remain relatively flat as the stock exchanges and settlement institutions will be closed for a whole week from the middle of the month. Opportunities are stronger in the fixed income market as the government accelerates domestic borrowing and more private sector international offerings are brought to the market. In equity markets, forward valuations are still attractive, with the market PE ratio under 12.3x and forecast 2011 PE of approximately 10.1x in an environment of improving global economic growth and trade.

Vietnam gold exchanges said they would close well ahead of the government's deadline due to a decline in trading volumes. Earlier this month, the State Bank of Vietnam told banks to halt lending for gold investments and said all loans made to buy the precious metal must be repaid, after announcing last month that the country's 20 gold trading floors must close by 30 March 2010.

Performance summary

| Most recent NAV: | VOF | VNL | VNI |
|----------------------------------|----------------------|---------------------|---------------------|
| | (31 Jan 10) | (31 Dec 09) | (31 Dec 09) |
| NAV per share (USD) ¹ | 2.39 | 1.39 | 0.67 |
| Return (%) ² | (from Dec 09) | (from Sep 09) | (from Sep 09) |
| Previous NAV | -1.1 | 6.1 | 0.8 |
| YTD | -1.1 | -- | -- |
| Since inception | 146.4 (30 Sep 03) | 43.3 (22 Mar 06) | -20.6 (5 Jul 07) |
| Issued shares ³ | 324,610,259 | 499,967,622 | 402,100,000 |
| Total NAV (USDm) | 776 | 694 | 267 |
| Market cap (USDm) | 516 | 445 | 145 |
| Reuters | VOF.L | VNL.L | VNI.L |
| Bloomberg | VOF LN | VNL LN | VNI LN |
| ISIN | KYG9361Y1026 | KYG936361016 | KYG936121022 |

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

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

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

| VN Index | 31 Jan 10 | 31 Dec 09 | 52 wk low | 52 wk high |
|--------------------------|-----------|-------------------|-----------|------------|
| Close | 482.0 | 494.8 | 234.7 | 633.2 |
| Change vs. 31 Jan 10 (%) | | (2.6) | 105.4 | (23.9) |
| Trailing PER (x) | 11.5 | Est. PER 2010 (x) | 12.3 | |
| Trailing P/B (x) | 2.2 | | | |

| Govt bonds | 1 yr | 3 yr | 5 yr | 10 yr |
|-----------------|------|------|------|-------|
| Yield curve (%) | 10.8 | 11.7 | 11.7 | 11.5 |

Source:  VinaSecurities

Economy

VND devalued by 3.3%

On 10 February the VND was devalued by 3.3 percent to VND18,554 per USD (central rate). This is the second devaluation in recent months (after the 5.4 percent devaluation in November 2009) and was triggered by inflationary pressures and the need to control the trade deficit.

Industrial production increased 28.4 percent year-on-year in January, driven by domestic demand and the additional push prior to the Tet lunar new year holiday. Retail sales maintained steady growth at 18.6 percent year-on-year, also helped along by holiday shopping. This is likely to carry over into February as well.

EVN suggests potential electricity price rise

In January, the CPI rose 1.4 percent month-on-month, to reach 7.6 percent year-on-year. Ten of eleven goods categories recorded price increases. The rising CPI is partly attributable to the lunar new year holiday, which is a traditional shopping season and includes an annual bonus for staff at most businesses. Among the potential contributors to the CPI rise in 2010 is electricity, as Electricity of Vietnam (EVN) has proposed a price increase of 10-11 percent, with the Ministry of Finance supporting an increase of around eight percent. As the global economic recovery gathers steam, import prices will play a bigger role in driving CPI inflation. Although credit growth in January was reported as below one percent, banks are early in their lending cycle and are currently constrained by tight liquidity. The historical pattern is similar, as January 2008 credit growth was also slow, before picking up notably after Tet to reach over 30 percent for the year.

Imports tilted toward manufacturing and export production

In January, exports rose 28.1 percent year-on-year to reach USD4.9 billion, while imports rose 86.6 percent year-on-year to USD6.2 billion. As in past months, the foreign-invested sector (including oil and gas) contributed the most to export receipts. The USD1.3 billion deficit is within the range of USD1-2 billion seen every month since a brief surplus in Q1 2009. The largest component of imports in January was capital equipment, machinery and intermediate materials, which are all needed for domestic manufacturing and export production. The purchase of consumer and luxury goods is only a modest portion of imports, so administrative measures to curb luxury imports would not have an appreciable impact on the deficit.

More borrowing expected to finance budget deficit

The budget deficit for 2010 is estimated at VND120 trillion (USD6.3 billion), necessitating more rounds of borrowing. Domestic borrowing plans are set at VND100 trillion dong (USD5.3 billion), but recent auctions of VND-denominated government bonds have not been successful even with coupons raised to 11 percent. On top of the devaluation and inflation risks, domestic liquidity is already tight and any significant government borrowing would exacerbate this situation. International financial institutions have shown a willingness to provide budget support. In late 2009, the World Bank granted Vietnam as USD1 billion stabilisation credit, and a Consultative Group meeting in January brought in USD8 billion of ODA pledges for 2010. Also in January, the World Bank announced a USD2 billion lending programme for Vietnam to take effect in 2010.

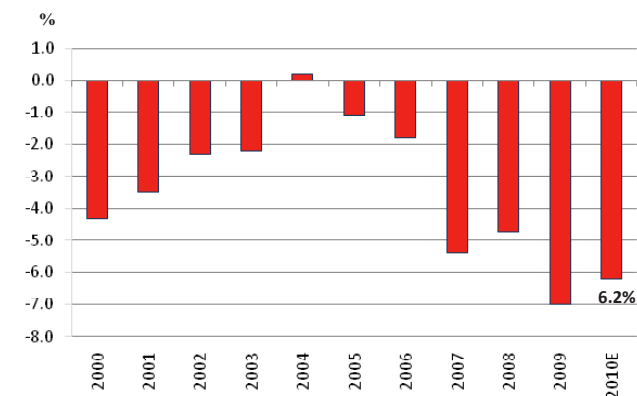
Macroeconomic indicators and forecast

| | 2009E | Jan-10 | YTD | Y-o-Y change |
|--|-----------|----------|------|----------------------|
| GDP growth | 5.3% | | | |
| Inflation | 6.9% | 1.4% | 1.4% | 7.6% |
| FDI (USDbn) | 21.5 | 0.3 | | 71.9% |
| Imports (USDbn) | 68.8 | 6.2 | | 86.3% |
| Exports¹ (USDbn) | 56.6 | 4.9 | | 31.7% |
| Trade deficit (USDbn) | 12.2 | 1.3 | | -431.6% ³ |
| Exchange rate² (USD/VND) | 17,941 | 18,544 | n/a | n/a |
| Bank deposit rate (VND %) | 9.8-10.5% | 10-10.5% | n/a | n/a |

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

¹ Includes gold. ² State Bank central rate. ³ January 2008 saw a trade surplus due to substantial exports of gold.

Budget deficit as % of GDP



Portfolio developments

At the end of January 2010, VOF's NAV decreased 1.1 percent to USD2.39 per share, from USD2.42 per share at the end of December 2009. The loss was mainly attributable to declines in the capital market component (-2.3 percent), despite the appreciation of several OTC holdings including An Giang Plant Protection Company and Quoc Cuong Gia Lai. There were no significant changes to the remainder of the portfolio.

Regulatory announcements

On 25 January, VNL announced a share purchase by a director of the fund.

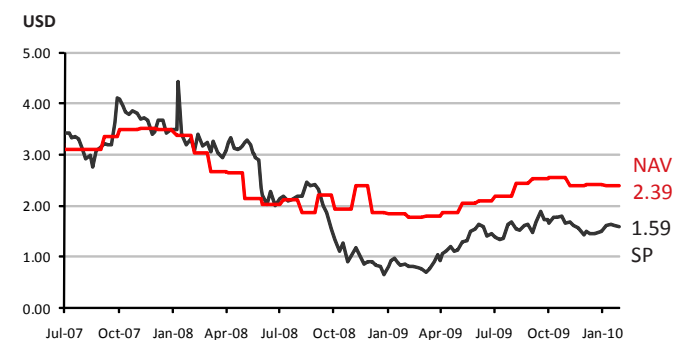
On 14 January, the Investment Manager issued a market update. Details of both announcements are available at www.vinacapital.com/vof.

31 January 2010

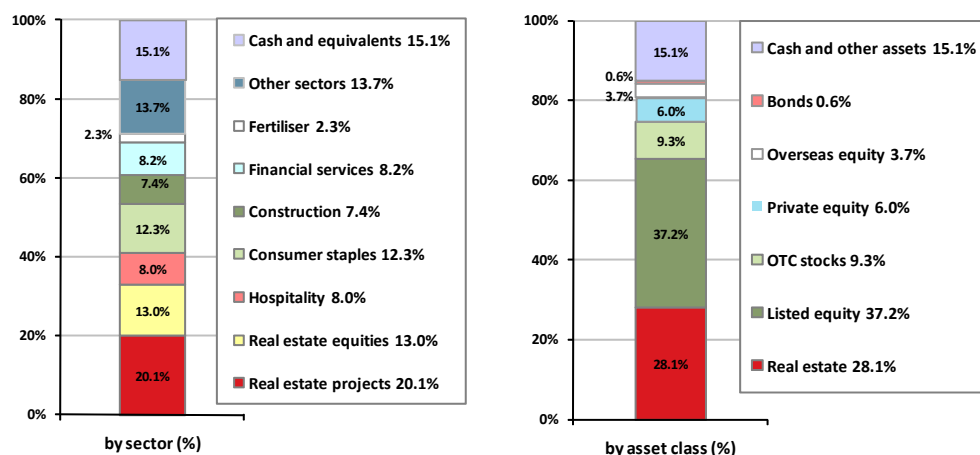
NAV **2.39** per share (↓ 1.1%)

Total NAV: USD776 million

NAV and share price performance (31 Jan 2010)



VOF portfolio (31 January 2010)



Major holdings (listed and OTC)

| Type | Sector | % NAV | Manager's comment |
|------|--------------------|-------|--|
| EIB | Financial services | 7.1 | One of Vietnam's top joint stock banks. |
| VNM | Food products | 4.9 | Dairy firm with dominant market share. |
| HPG | Industrial | 4.0 | Major steel manufacturer. |
| DIG | Real estate | 3.4 | Residential and industrial property. |
| DPM | Industrial | 1.9 | Top fertiliser firm, member of Petro VN. |

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

Performance history (% change on NAV)

| | 2010 | 2009 | 2008 | 2007 | 2006 |
|------------|--------------|--------------|---------------|--------------|--------------|
| Jan | -1.1% | -1.3% | -2.9% | 14.6% | 3.9% |
| Feb | | -3.7% | -10.2% | 8.3% | 6.3% |
| Mar | | 1.7% | -11.8% | -0.6% | 8.8% |
| Apr | | 4.4% | -0.8% | -1.3% | 7.6% |
| May | | 9.1% | -19.5% | 5.1% | -1.0% |
| Jun | | 2.2% | -4.7% | -0.8% | 1.5% |
| Jul | | 3.8% | 5.7% | -3.8% | -6.5% |
| Aug | | 12.2% | 9.8% | 0.0% | 6.4% |
| Sep | | 3.8% | -6.7% | 8.1% | 3.0% |
| Oct | | 1.2% | -12.4% | 4.2% | 1.0% |
| Nov | | -6.5% | -1.9% | 0.6% | 13.5% |
| Dec | | 0.8% | -2.1% | -0.6% | 8.1% |
| YTD | -1.1% | 29.7% | -46.6% | 37.4% | 64.9% |
| VN Index | -2.6% | 56.7% | -66.0% | 23.3% | 144.5% |

Portfolio developments

VNL's NAV increased 6.1 percent to USD1.39 per share at the end of December 2009, from USD1.31 per share at the end of September 2009. The share price rose to USD0.89 at the end of January 2010, from USD0.80 at the end of December 2009.

Sale of stake in Oasis project, Ho Chi Minh City

VNL has sold its equity stake in The Oasis mixed-use residential/retail project in suburban Ho Chi Minh City. The sale of the stake in the project, to a Vietnamese company, is at a value 61 percent above the holding's carrying value at 31 December 2009, resulting in a 1.6 cent per share increase in VNL's net asset value. The transaction achieved an IRR of 25 percent, or a 1.6x return on capital.

The Oasis is one block of a landmark development located along a major traffic artery in District 7, a suburban area of Ho Chi Minh City that enjoys high land values due to the presence of Phu My Hung – Vietnam's first planned urban township. VNL acquired a 73.26 percent interest in The Oasis project in 2007, as part of a joint venture with a Vietnamese developer. The project comprises 420 residential units and over 13,000sq.m of retail space on a 1.26ha site. The exit comes at time when a significant amount of residential stock is expected to enter the market in the immediate vicinity of the project.

Regulatory announcements

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On 14 January, the Investment Manager issued a market update. Details of both announcements are available at www.vinacapital.com/vnl.

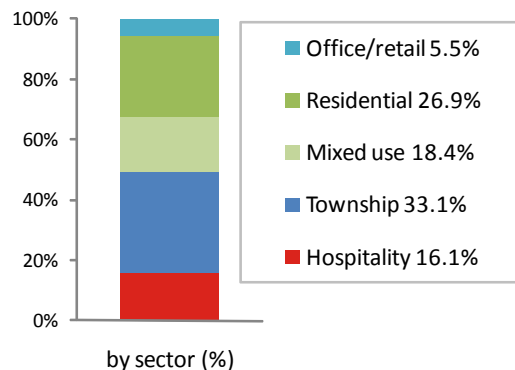
Fund background

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

VNL portfolio (31 December 2009)



Portfolio by geographic location

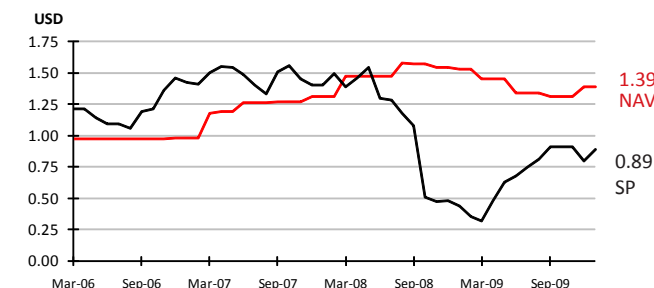
| | |
|-------------------------|-----|
| Hanoi | 14% |
| Central provinces | 24% |
| Ho Chi Minh City region | 62% |

31 December 2009

NAV **1.39** per share (⬆️ 6.1%)

Total NAV: USD694 million

NAV and share price performance (31 Jan 2009)



Performance history (% change on NAV per share)

| | 2009 | 2008 | 2007 | 2006 |
|-----|-------|-------|-------|------|
| Q1 | -5.2% | 12.5% | 22.0% | |
| Q2 | -7.6% | 7.1% | 6.1% | 0.0% |
| Q3 | -2.2% | -0.4% | 0.2% | 0.0% |
| Q4 | 6.1% | -2.5% | 3.2% | 0.5% |
| YTD | -9.2% | 17.1% | 33.8% | 0.5% |

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 |
| Hanoi Golden Westlake | Residential | Sales underway |
| Pavilion Square | Residential | Investment licence |
| VinaSquare Tower | Mixed-use | Investment licence |
| Vinh Thai Nha Trang | Township | Investment licence |
| WTC Danang | Mixed-use | Under construction |

Portfolio developments

VNI's NAV at the end of December 2009 was USD0.67 per share, up 0.8 percent from USD0.66 per share at the end of September 2009. The share price increased to USD0.36 at the end of January 2010 from USD0.33 at the end of December 2009.

Investment in Tay Bac hydro power company

VNI has acquired a 14.9 percent stake in Tay Bac Electricity Investment and Development JSC, which owns three small-sized hydro power plants in northwestern Vietnam. One 32MW plant is operational, while two smaller plants of 9MW and 10MW will be complete in Q1 2010. Tay Bac has plans to build three more hydro plants, also in the northwest.

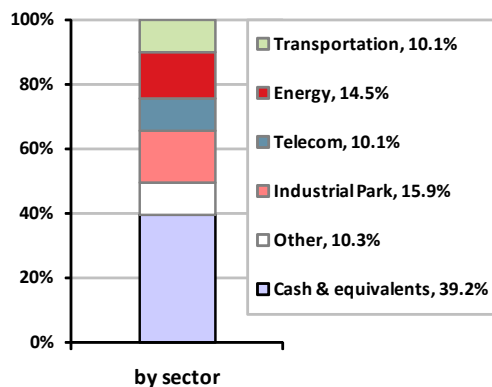
Vietnam is experiencing electricity demand growth of 15 percent yearly, with supply shortfalls that lead to rolling black-outs around the country. To meet demand, it is projected that the energy sector requires yearly investment of USD4 billion. Hydro power supplies nearly 40 percent of Vietnam's electricity, and is generally more competitive than coal, gas or oil-fired plants due to lower operating costs.

Regulatory announcements

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On 14 January, the Investment Manager issued a market update. Details of both announcements are available at www.vinacapital.com/vni.

VNI portfolio by sector (31 December 2009)



Portfolio by Asset Class

| | |
|----------------------|-------|
| Listed companies | 26.3% |
| OTC | 9.1% |
| Private equity | 15.0% |
| Greenfield projects | 7.3% |
| Bonds | 3.2% |
| Cash and equivalents | 39.2% |

Fund background

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

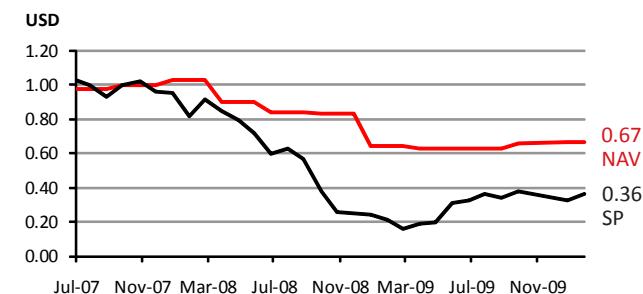
Download the VNI Factsheet at www.vinacapital.com/vni

31 December 2009

NAV **0.67** per share (▲ 0.8%)

Total NAV: USD267 million

NAV and share price performance (31 Jan 2009)



Performance history (total return)*

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

Total return since inception: **-21.2%**

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

Major holdings

| Name | Sector | Asset class | NAV (%) |
|----------------|-----------|-------------|---------|
| Tan Tao (ITA) | IP | Listed | 7.1 |
| Long An S.E.A. | IP | Greenfield | 7.0 |
| Nam Viet Oil | Energy | OTC | 4.3 |
| Phu My Bridge | Transport | Private | 4.3 |
| MIDC | Telecom | Private | 3.7 |

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VinaCapital Real Estate Ltd (VCRE) is the development and advisory service for VOF and VNL-owned real estate assets.

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