



**VIETNAM
OPPORTUNITY
FUND**

 **VinaLand**

INVESTMENT MANAGER
VINA CAPITAL 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) and VinaLand for the period ended 31 March 2006.

This past quarter has proved to be an exciting start to the New Year, both for VOF and our new VinaLand funds and also for Vietnam. The VOF Fund saw a sharp rise in both NAV and share price. As of 31 March 2006, the Fund had a total net asset value of US\$226.9 million at US\$1.85 per share, a 20.1 percent increase quarter-on-quarter. VOF's share price on 31 March 2006 climbed to US\$2.55, a 44.9 percent increase quarter-on-quarter. Now that VinaLand has been listed VOF will have first right of refusal to take a 25 percent stake in any real estate investment that VinaLand makes.

VOF has performed well as Vietnam's strong economic growth carried over into 2006, with the steady improvement in the regulatory environment, and surging foreign direct investment providing the perfect backdrop. The country's first quarter economic indicators make very pleasant reading: Q-1 GDP growth of 7.2 percent mirrored last year's numbers, 16.3 percent growth in tourism, and 14.5 percent growth in Industrial production.

In addition to enhancing VOF's listed and OTC portfolios, the fund closed two property investments over the quarter. The fund has decided to invest in Binh Trieu Apartment, an 18 storey residential apartment in Thu Duc. The fund has also announced its first joint investment with VinaLand during the quarter. This is a 62 percent stake in 21st Century International Development Company, a mixed use residential and land banking investment at a total cost of about \$22 million. The investment was made initially by VOF and has now been allocated 75 percent to VinaLand and 25 percent to VOF with the approval of both boards. The site is a 55 hectare site for mixed use development about 12 km from District 1.

Both projects fit neatly into the fund's current property strategy focus of seeking developments just outside of the central business district and of building up our land bank for future development. VOF also acquired a stake in Cofico, a strategic player in the building and construction market.

The stock market turned in a blistering performance over the quarter rising 63.7 percent although it has corrected somewhat since then. Domestic retail investors caught the speculation bug driving prices of all issue higher. We took advantage of this move to take profits in certain non-strategic holdings.

During the quarter we listed VinaLand on the 22nd of March on London's AIM market. VinaLand's share price closed at \$1.25 on the 31st of March, 2006. VinaLand's board looks forward to making further announcements concerning new investments in the near future.

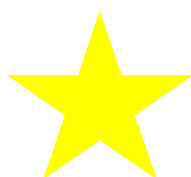
We look forward to continue working for you this year, in order to maximize the value of your investments. Thank you for your continued interest and support,

Very Truly Yours,

VINACAPITAL INVESTMENT MANAGEMENT LTD.

Don Lam
Managing Partner

3 May 2006



**VIETNAM
OPPORTUNITY
FUND**

Fund Summary: VOF

FUND LAUNCH	September 30 th , 2003
TOTAL COMMITMENTS	US\$171 million
FUND DOMICILE	Cayman Islands
LEGAL FORM	Close Ended Company Exempted
STRUCTURE	Single class of Ordinary Shares listed on the London Stock Exchange Alternative Investment Market
INVESTMENT MANAGER	VinaCapital Investment Management Ltd.
INVESTMENT FOCUS	Medium-term capital gains with some recurring income through investments in: <ul style="list-style-type: none">• Listed and OTC traded securities;• Equity and debt to private companies;• Undervalued / distressed assets;• State-owned enterprise privatizations; and• Real estate.
INVESTMENT FOCUS BY	GEOGRAPHY Greater Indochina comprising: <ul style="list-style-type: none">• Vietnam (minimum of 70 percent);• Cambodia;• Laos; and• Southern China.

Executive Summary

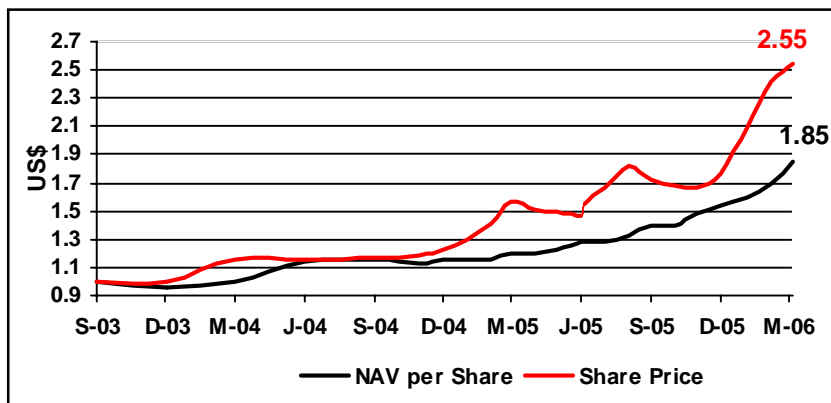
VOF Overview and Update

The Fund this quarter experienced significant gains in both NAV and share price, buoyed by unrealized gains, and strong gains in both listed and OTC shares.

As of 31 March 2006, the Fund had a total net asset value of US\$226.9 million at US\$1.85 per share, an increase of 23.3 percent over the previous quarter. The Fund's share price on 31 March 2006 climbed to US\$2.55, a 49 percent increase from that of the previous quarter. VOF experienced significant unrealized gains due to increases in share prices in both the listed and OTC market. Over the quarter the fund invested a substantial portion of the new capital raised in December last year in both listed, OTC and real estate related projects. The fund also took advantage of strength in the equity market to take profits in certain non-strategic equity holdings. The fund has also made new investments in companies in the natural resource sector and continues to look for companies with substantial undervalued real estate holdings as part of a long term strategy to unlock value for investors.

As of 31 March, the Fund had US\$14.639 million in cash and cash equivalents.

NAV per share and Share Price Performance by Quarter



Portfolio of Investment by Type as of 31 March 2006
(Figures in US\$)

Portfolio of Investment	Market Value	% NAV	Unrealized Gain (Loss)
OTC			
Cofico	500,492	0.2%	(47,508)
Genimex	494,072	0.2%	4,072
Bao Minh Insurance	5,822,573	2.6%	2,275,580
Generalexim	896,309	0.4%	-
NuiBeo Coal	2,199,347	1.0%	(1,253)
Domesco	2,107,918	0.9%	1,228,245
Fafilm	551,151	0.2%	1,343
Saigon Housing & Real Estate (SCREC SJC)	650,945	0.3%	57,545
Danang Tourist Joint-stock company	504,600	0.2%	-
Imexpharm	811,800	0.4%	353,300
Saigon Can Tho Beer (SACABECO)	704,937	0.3%	268,654
Vinacafe	781,600	0.3%	469,600
Hau Giang Pharmaceutical (HG Pharm)	992,400	0.4%	664,100
Bien Hoa Sugar JS Company	795,999	0.4%	480,496
POSTEF	424,700	0.2%	13,400
Civil and Industrial Construction (D2D)	381,300	0.2%	(200)
Drilling Mud (DMC)	382,200	0.2%	200
Saigon Petroleum Service (SPSC)	300,900	0.1%	(223,900)
Innovative Technology Development (ITDC)	294,200	0.1%	58,700
Hanoi Fuel	256,700	0.1%	(63,600)
Vietronics Bienhoa (Belco)	245,500	0.1%	27,700
Thang Loi	1,412,037	0.6%	-
Nha Trang Textile	5,442,000	2.4%	-
Others	21,424,692	9.4%	9,289,509
Total OTC Investment	48,378,372	21.3%	14,855,983
Private Investment			
KiDo's Ice Cream	852,034	0.4%	-
IBS	3,408,107	1.5%	-
International School, HCMC	2,074,045	0.9%	-
Indotel	10,047,268	4.4%	-
AA Land	525,885	0.2%	-
Total Private Investment	16,907,339	7.4%	-
Real Estate Projects			
Hung Vuong Plaza	1,740,269	0.8%	-
A&B Project	1,250,000	0.6%	-
Pland project	627,668	0.3%	-
Srec	2,838,822	1.2%	-
Nha Trang Project	860,846	0.4%	-
Phong Phu	3,517,164	1.5%	-
Others	31,088,354	13.7%	-
Total Real Estate Projects	41,923,123	18.5%	-
Value of investment Holdings			
Listed shares	67,012,697	29.5%	29,498,938
Cash and Cash Equivalent	14,639,215	6.4%	-
Total Value of investment Holdings	81,651,911	35.9%	29,498,938
Other assets and liabilities (Net)	38,339,147	16.9%	-
Total Net Assets	227,199,892	100.0%	44,354,921
NET ASSET VALUE, Price per share (122,657,202 shares of common stock)	1.85		

Over-The-Counter Investments

New Investment



Over the quarter VOF acquired a 9.7 percent stake in Cofico. At 31 March 2006, VOF's 346,200 shares were valued at US\$500,492, or 0.22 percent of the Fund's net assets.

Established in 1975 and privatized in 2006, Cofico specializes in building and infrastructure projects, trading in construction materials, investment and trading property. Cofico accounts for approximately 30% of the HCM construction market (Coteccon has a 30% share and other small companies hold the balance of 40%). Cofico also has a strong position in Hanoi and other markets with many large projects completed. In addition, Cofico has over 30 years experience in the industry with top projects such as New World, Caravelle hotel, Saigon Center to mention but a few.

Ownership Structure	As of purchase date			Shares held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)	Avg. Price per share (US\$)		% Interest Held	P/E 2006	P/BV	Market Value (US\$)
- State: 51% - Employees: 5.4% - VOF: 9.7% - Others: 32.9%	14 Feb, 2006	547,385	1.58	346,200	9.7%	8.2x	N/A	500,492

Financial Highlights

FYE 31 Dec	Profit and Loss Summary		Balance Sheet Summary	
Unit: USD MM	2004	2005E	Assets	2004
Revenue	16.629	18.84	Current Assets	8.56
Y/Y Growth	6%	13.3%	Fixed Assets	0.64
Gross Profit	0.89	0.94	Total Assets	9.2
Gross Margin	5.4%	5%	Liabilities and Shareholders' Equity	
EBIT	0.47	0.42	Short term Debt	7.07
EBIT Margin	2.8%	2.2%	Other Liabilities	-
Net Profit	0.33	0.3	Shareholders' Equity (SE)	2.13
Net Profit Margin	2%	1.6%	Total Liabilities & SE	9.2
ROE	31%	13.3%		

Valuation Metrics

Source: Company Report

Significant Developments

In the first general meeting held in 18 April 2006, VOF was allocated one seat in the Board of Management and one seat in the Audit Committee.

Given its good brand name and market share, the company's revenue and net profit of 2006 is projected at VND 500 bil and VND 11 bil respectively based on signed contracts as of January 2006 (Tan Son Nhat Airport, Chinfon Manulife Building, Hoang Quan plaza, Bitexco Building 2nd phase, Sai Gon Pearl Building, Hung Vuong Plaza).

Over-The-Counter Investments

New Investment


GENIMEX

VOF, over the quarter acquired 418,700 shares of GENIMEX. As of 31 March, the shares were worth US\$494,072, or 0.22 percent of the Fund's net assets.

GENIMEX was established in 1996 under the name of Song Be Forest Exploitation, Wood Process & General Export – Import Company. The Company specializes in construction and forest products. The Company has also contributed capital to two joint-ventures with American Home (VND 65.5 bil) and American Standards (VND 25 bil). These stakes officially belong to the provincial party committee but are managed by Genimex on their behalf.

Valuation Metrics

Ownership Structure	As of 30 June 2005			Shares held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)	Avr. Share price (US\$)		% Interest Held	P/E 2006	P/BV	Market Value (US\$)
State:51% Staff:11.7% Strategic partners: 9.8% VOF: 24.6% Others: 2.9%	Mar 06	494,000	1.18	418,500	24.6%	9.1x	1.88	494,072

Financial Highlights

FYE 31 Dec	Profit and Loss Summary		Balance Sheet Summary	
Unit: US\$MM	2004	2005	Assets	2004
Revenue	6.73	8.63	Current Assets	\$4.38
Y/Y Growth	-14.1%	28.2%	Long term Assets	\$4.18
Gross Profit	0.71	0.86	Total Assets	\$8.56
Gross Margin	10.5%	10.0%	Liabilities and Shareholders' Equity	
EBIT	0.21	0.25	Short term Debts	\$5.73
EBIT Margin	3.08%	2.90%	Long-term debts	\$2.20
Net Profit	0.19	0.23	Shareholders' Equity	\$0.63
Net Profit Margin	2.8%	2.6%	Total Liabilities & SE	\$8.56
ROE	30.1%	21.3%		

Source: Company reports

Significant Developments

In April VOF was elected to one seat on the board of management and one seat on the control board which supervises the audit board.

Over-The-Counter Investments

Existing Investments



Domesco Medicine Import Export Joint Stock Corporation

As of 31 March 2006, VOF held 6.25 percent of Domesco, or 50,000 shares valued at US\$2,107,918. The investment accounts for 0.93 percent of the Fund's net asset value.

Domesco, originally established as the Medical Equipment and Material Supply Company in 1985, is a leading pharmaceutical company in Vietnam. Its scope of activities includes the design, manufacturing and supply of pharmaceutical products and bottled drinking water, and the import and export of such pharmaceutical products and ancillary equipment. Its products are exported to the United States as well as major Asian markets including Japan, Korea, and Hong Kong.

Valuation Metrics

Ownership Structure	As of purchase date			Shares Held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)	Avg. Price per Share (US\$)		% Interest Held	P/E 2006	P/BV	Market Value (US\$)
- State: 38% - Staff: 26% - Foreigners: 23% - Public: 13%	28 July 2005	879,735	17.6	50,000	6.25%	13.3x	n/a	\$2,107,918

Financial Highlights

FYE 31 Dec Units: US\$MM	Profit & Loss Summary			Balance Sheet Summary		
	2003	2004	Q3/2005		2004	Q3/2005
Revenue	\$28.4	\$32.0	\$25.6	Total Assets	\$14.2	\$15.3
Growth	16%	13%	n/a	Cash	0.8	2.3
Gross Profit	3.4	5.3	5.0	Current Assets	7.4	5.7
Gross margin	12%	17%	20%	A/R	2.7	3.4
EBIT	1.0	1.8	1.3	Fixed Assets	3.3	3.8
Net income	\$0.7	\$1.8	\$2.1	Total Liabilities & SE	\$14.2	\$15.3
ROE	16%	35%	20%	Short term loan	3.0	0.2
				A/C Payables	3.5	2.6
				Other Liabilities	2.1	1.3
				Long term loan	0.3	0.7
				Shareholders' Equity (SE)	5.3	10.5

Source: Company Reports

Significant Developments

The company signed a joint venture contract with the Filipino Pharmaceutical Corporation to provide pharmaceutical raw materials to the local market. Currently, nearly 90% of the pharmaceutical industry's raw materials needs are imported.

Domesco announced that it will issue 200,000 new shares to raise funds for new projects such as a clinic in Dong Thap, new injection production plant and a health food plant. Current shareholders will enjoy the right to buy 80,000 shares at 350,000 VND/share; strategic investors will be able purchase a further 50,000 shares at a 10% discount to the auctioned price. And the balance of 70,000 shares will be auctioned on the Ho Chi Minh Securities Trading Centre.

Over-The-Counter Investments



Bao Minh Insurance Company (Bao Minh)

As of 31 March 2006, VOF held a 6.3 percent stake in Bao Minh with 281,540 shares valued at US\$5,822,573, or 2.56 percent of VOF net assets.

Established in 1994 as a State-owned Enterprise (SOE), Bao Minh operates in the domestic non-life insurance market, offering a diverse range of ten insurance products including cargo, marine, air transport, vehicle, and property. After ten years of operations, Bao Minh is the second largest non-life insurance company in Vietnam with nationwide branches. It currently operates as a joint venture with CMG of Australia as Bao Minh CMG, the leader of the life insurance market in terms of the highest percentage increase in new life insurance business sales. Bao Minh has been selected by the Government as a priority candidate for international listing and is an attractive target for strategic investors wishing to enter the non-life market.

Valuation Metrics

Ownership Structure	As of 30 June 2005			Shares held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)	Avg. Price per Share (US\$)		% Interest Held	P/E 2006	P/BV	Market Value (US\$)
- State: 70% - Strategic investors: 20% - Public: 10%	Aug 04	3,468,265	12.6	275,540	6.3%	19.2x	n/a	\$5,822,573

Financial Highlights

FYE 31 Dec	Profit and Loss Summary			Balance Sheet		
Unit: US\$MM	2004	2005	2006F	Assets	2003	2004
Gross Written Premium	\$68.00	\$75.56	\$80.63	Cash	\$10.02	\$11.68
<i>Y/Y Growth</i>	1.25%	11.12%	6.70%	Short term investment	24.5	38.39
Net underwriting income		\$2.45	\$3.32	Receivables and other current assets	9.8	20
<i>Underwriting margin</i>		3.24%	4.11%	Fixed assets	3.87	2.91
EBIT	4.5			Long term investment	13.31	23.32
<i>EBIT Margin</i>	6.60%			Total Assets	\$61.50	\$96.30
Net Profit	\$4.50	\$4.81	\$5.31	Liabilities and SE		
<i>Net Profit Margin</i>	6.60%	6.37%	6.59%	Payables and other current liabilities	\$9.67	29.26
<i>Return/share capital</i>	16.4%	17.97%	19.6%	Underwriting reserves	31.85	38.22
<i>3-yr Revenue CAGR</i>	32.40%	6.07%	6.28%	Equity	19.98	28.82
<i>3-yr Earning CAGR</i>	68.80%	43.70%	32.77%	Total Liabilities and SE	\$61.50	\$96.30

Source: Company audited accounts

Significant Developments

The annual shareholder's meeting was held on 21 April 2006. According to the company's forecasts, the 2006 gross premium target was set at VND1290 billion (US\$80.6 MM), with a target of VND60 billion (US\$3.75 MM) for reinsurance premium, and VND65 billion (US\$4 MM) for financial income. The company also stated that the listing is on schedule for Q2 or Q3, 2006.

Over-The-Counter Investments



General Export Import Company I (Generalexim)

As of 31 March 2006, VOF held a 20 percent stake in Generalexim with 1,400,000 shares valued at US\$ 896,309 or 0.4 percent of VOF net assets.

Generalexim is an import-export trading company with a significant property portfolio. The company also holds VND21.3 billion of Eximbank shares (valued at par), of which the current market value is about VND127.8billion (or \$8M), at the market price of 6x par. The investment in Generalexim is driven by the potential of unlocking its hidden value.

Valuation Metrics

Ownership Structure	As of 30 June 2005			Shares held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)	Avg. Price per Share (US\$)		% Interest Held	P/E 2006	P/BV	Market Value (US\$)
- State: 43.25% - Employees: 6.99% - External shareholder: 49.76%	01 Dec 2006	896,309	0.64	1,400,000	20%	10.2x	1.02x	896,309

Financial Highlights

FYE 31 Dec	Profit and Loss Summary		Balance Sheet Summary	
Unit: US\$MM	2004	2005E	Assets	2004
Revenue	\$27.90	\$40.00	Current Assets	\$11.91
Y/Y Growth	81%	43%	Fixed Assets	3.94
Gross Profit	0.81		Total Assets	\$15.85
Gross Margin	2.9%		Liabilities and Shareholders' Equity	
EBT	0.96	0.50	Short term Debt	\$8.83
EBT Margin	3.4%	1.2%	Other Liabilities	0.84
Net Profit	\$0.68	\$0.36	Shareholders' Equity (SE)	6.18
Net Profit Margin	2.4%	0.9%	Total Liabilities & SE	\$15.85
ROE	11.0%	6.2%		

Source: Company's reports

Significant Developments

The first AGM of the newly-privatized entity was held this month, and approved the company's financial targets of achieving \$40.9M in overall revenue and \$0.44M profit this year. 2006. VOF was given a board seat in the company.

Over-The-Counter Investments



NUIBEO Coal

As of 31 March 2006, VOF held a 20 percent stake in NuiBeo Coal with 1,200,000 shares valued at US\$2,199,347 or 0.97 percent of VOF net assets.

NuiBeo is one of three biggest coal companies in Vietnam. The company concentrates on open-cast mine production, mainly in Quang Ninh province which produces 90 percent of the country's fossil coal production with huge coal reserves to last at least 100 years at the current rate of exploitation.

Valuation Metrics

Ownership Structure	As of 30 June 2005			Shares held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)	Avg. Price per Share (US\$)		% Interest Held	P/E 2006	P/BV	Market Value (US\$)
- VN Coal Corp: 51% - Staff: 29% - VOF: 20%	29/12/2005	2,200,342	1.83	1,200,000	20%	7.8x	n/a	2,199,347

Financial Highlights

FYE	Profit and Loss Summary				Balance Sheet Summary		
Unit: USD MM	2004	2005 e	2006	2007	Assets	2004	06/2005
Revenue	37.31	49.49	66.96	73.69	Current Assets	3,420	7,940
Y/Y Growth	67%	33%	35%	10%	Fixed Assets	14,407	17,952
Gross Profit	5.66	6.93	9.38	10.32	Total Assets	17,827	25,893
Gross Margin	15.1%	14%	14%	14%	Liabilities and SE		
EBT	1.15	0.73	1.42	1.73	Current liabilities	4,410	7,524
EBT Margin	3.1%	1.5%	2.1%	2.3%	Long-term liabilities	9,844	14,721
Net Profit	0.83	0.73	1.41	1.73	Shareholders' Equity (SE)	3,573	3,648
Net Profit Margin	2.2%	1.5%	2.1%	2.3%	Total Liabilities & SE	17,827	25,893

Source: Company's reports

Significant Developments

2006's profit is forecasted at US\$0.92 MM, a heady 92% rise on the 2005 number. Significant growth is mainly due to strong sales growth while overhead costs remain relatively constant.

Mr. Nguyen Van Long (from Vietnam Coal Corporation and former director of Vang Danh coal) was elected chairman in the first Shareholders' Meeting in March- 2006. VOF continues to lobby for board representation.

Private Investments



Sofitel Metropole Hanoi (Metropole)

VOF holds a majority stake in Indotel, the foreign partner which owns 50 percent of the 5-star, 232-room Sofitel Metropole hotel in Hanoi.

Value creation opportunities lie in both operational improvements and the strength of the hotel industry in Vietnam due to limited supply and rising demand from both the tourist and corporate sector. The historic appeal and excellent location of the property is comparable to that of the Raffles, the Peninsula and the Oriental in the region. This factor differentiates the hotel from other less prestigious properties in the city.

Valuation Metrics

Ownership Structure	As of purchase date		As of 31 March 2006		
	Purchase date	Cost of Investment (US\$)	% Interest Held	EV/EBITDA	Market Value (US\$)
Hanoi Tourists (45%) Unimex (5%) Indotel (50%)	Sep 05	10,047,268	28.8%	7.9x	10,047,268

Financial Highlights

	MTD Mar. 2006			YTD 2006		
	Actual	Budget	Last Year	Actual	Budget	Last Year
Occupancy	86.53%	84.30%	86.98%	82.32%	86.60%	86.72%
ARR (US\$)	145.28	131.62	111.38	146.10	131.83	110.81
Revpar (US\$)	125.71	110.94	96.88	120.27	114.17	96.09
Turnover (US\$)	1,500,830	1,379,391	1,267,389	4,206,473	4,028,735	3,643,363
GOP (US\$)	820,636	706,572	647,195	2,261,772	2,063,108	1,827,436
GOP %	54.0%	51.3%	51.1%	53.8%	51.2%	50.2%
GOP Par	116.10	99.96	91.56	110.22	100.54	89.06

GOP Par = Gross Operating Profit / Number of available rooms.

Source: Sofitel General Manager's reports

Significant Development

The hotel now enjoys the highest monthly revpar amongst all international hotels in Hanoi. March revpar for Sofitel Metropole was \$125.7 which is 38% higher than the Hilton, the hotel with the second highest revpar at \$91.1. The big jump in revpar was mainly contributed to a higher ARR.

F&B revenue was \$481,670 as against the budgeted revenue of \$468,815, an increase of 2.7% over the budget and 8.5% over the same period last year. F&B revenue was higher than budget due to strong beverage sales and excellent results in the Banqueting division, 95% above budget and 28% above the same period last year.

Private Investments

Indochina Building Supplies Pte Ltd

VOF owns 100 percent of the Singapore-based Indochina Building Supplies (IBS), the holding company of two leading construction materials companies in Vietnam. The Company, valued at US\$ 3,408,107, accounts for 1.5 percent of VOF's net assets. IBS's two subsidiaries include American Home (AH), a joint-venture which produces and sells ceramic tiles, and Indochina Stone (IS), a 100 percent foreign owned company which manufactures, sells, and provides installation services for granite products. The latter has now been sold.

The asset, which was acquired at a price significantly below IBS's net assets value, is expected to yield an attractive return as a short-term holding and offers a high potential for resale to local investors.

Valuation Metrics

Ownership Structure	Purchase Date	Cost of Investment (US\$)	NAV (US\$)
VOF 100%	Aug 05	3,408,107	3,408,107

Financial Highlights

American Home

P&L FYE 31 December (US\$MM)	2004	2005	Q1 2006
Revenues	\$8.6	\$9.3	\$1.3
% Change	0.5%	8.9%	N/A
Gross Profit	1.7	2.2	0.03
Net Income	(\$0.1)	\$0.6	\$0.39

Balance Sheet FYE 31 December (US\$MM)	2005	Q1 2006
Assets		
Current Assets	\$8.5	\$7.27
Fixed Assets	5.6	5.46
Total Assets	\$14.1	\$12.73
Liabilities and Equity		
Current Liabilities	\$1.8	\$0.79
Owner's Equity	12.3	11.94
Total Liabilities & Equity	\$14.1	\$12.73

Source: Company reports

Significant Developments

A new management team has now been put in place to improve company performance. At the end of last year IBS sold Indochina stone for a total of \$1.4m. Subsequently IBS paid a dividend of \$3m to VOF.

Private Investments



International School Ho Chi Minh City (HCMC International School)

As of 31 March 2006, VOF held a 42 percent stake in HCMC International School. VOF's holdings are valued at US\$2,074,045 or 0.91 percent of VOF net assets.

Founded in 1993 as the first International school in Vietnam, the HCMC International School provides education from kindergarten to the high school level. Thirteen years after incorporation, the School is one of two leading International schools in Ho Chi Minh City. The talented headmaster and overseas teaching staff have been important factors in building up the school's strong track record and reputation. Current facilities are being used to full capacity, and the School has a significant waiting list. The growing demand for enrollment can be attributed to the strong growth in foreign direct investment (FDI) flows as well as the rising affluence of local Vietnamese who are looking for international standard education for their children.

Valuation Metrics

Ownership Structure	As of 30 June 2005		Shares held by VOF	As of 31 March 2006			
	Purchase date	Cost of Investment (US\$)		% Interest Held	P/E 06	P/BV	Market Value (US\$)
VOF: 42% Management: 28% Local partner: 30%	Sep 04	2,074,045	N/A	42%		1.7x	2,074,045

Financial Highlights

FYE 30 June	Profit and Loss Summary		Balance Sheet		
Unit: US\$MM	30/6/2004	30/6/2005	Assets	2004	2005
Revenues	\$8.3	\$9.0	Cash	\$5.5	\$4.5
YY Growth	4.5%	8%	Inventory	0.2	0.2
Gross Profit	1.3	1.5	Receivables and others	1.6	0.5
Gross Margin	15.2%	16.2%	Fixed assets	2.1	2.1
EBIT	1.6	1.5	Total Assets	\$9.4	\$7.3
EBIT Margin	19.5%	16.2%	Liabilities and Shareholders' Equity (SE)		
Net Profit	\$1.5	\$1.3	Current Liabilities	\$4.6	\$5.1
Net Profit Margin	17.5%	14.6%	Others	0.3	0.03
ROE	41.8%	60%	Equity	4.5	2.2
			Total Liabilities and SE	\$9.4	\$7.3

Significant Developments

The Company will pay out an interim dividend of US\$1 MM for the year ending 30 June 2006. 70% of the amount will be transferred to VOF accounts within April 2006. After that, the received amount will be used to redeem the preference shares as well as to pay for ordinary share dividend. It is expected that the company will pay back 100% of the outstanding preference shares to VOF (US\$436K) by the end of April 2006. After that, according to the shareholder agreement, the Board of Management of the school will have the call option to acquire 10% of the shares from VOF at cost to maintain 50% out of the total 70% stake owned by the foreign partner of the school (VOF controls the balance of 50%).

Private Investments



As of 31 March 2006, VOF held a 30 percent stake in KiDo's with 90,000 shares valued at US\$852,034 or 0.38 percent of VOF net assets.

KiDo's, which is a part of the Kinh Do Construction and Food Processing Ltd, was formed from the acquisition of Wall's Ice Cream (formerly a division of Unilever) and currently enjoys market leader status in the domestic ice cream market with a 25 percent market share.

Valuation Metrics

Ownership Structure	Purchase Date	Cost of Investment (US\$)	Avg. Price per Share (US\$)	P/E 2005	P/BV 2005	Shares held by VOF	% Interest Held	Value at 31 March 2006 (US\$)
- Kinh Do Joint Stock Company and family members: 70% - VOF: 30%	Sept-03	852,034	NA	3x	0.73x	90,000	30%	852,034

Financial Highlights

P&L (US\$MM)	FY 2004	FY 2005	FY 2006E
Revenues	\$5.83	\$5.92	\$6.56
% Change	14%	2%	11%
EBIT	0.45	0.58	0.84
EBIT Margin	8%	9.7%	12.8%
Net Profit	\$0.45	\$0.58	\$0.84
Net Margin	8%	9.7%	12.8%

Source: Company reports

Significant Developments

In FY 2005, the company posted total revenues of US\$5.92 MM, which amounted to just 79 percent of the annual target. Due to the shortfall at the top line, net income amounted to US\$0.58 MM, or 77 percent of the target but still rising a healthy 29% year/year. According to the management, the key reason for the shortfall was the poor weather conditions prevailing last year with many floods and storms and a delay in the launch of the yoghurt project. However it is expected that the sales growth rate will come back on track with the launch of yoghurt products in the early of 2006.

The revenues target for 2006 is estimated at US\$6.56 MM, up 11% year/year, with a net income forecast of US\$0.84 MM, (providing a net profit margin of 12.8%) and a 45% increase year/year. The Company is preparing for a listing application which is expected to be completed in the middle of 2006. Post listing, there is a possibility that the Company may be merged with Kinh Do South to avoid potential conflict of interest among the subsidiaries in the Kinh Do Group.

Real Estate Investments

New Investments

21st Century International Development Company



Over the quarter, VOF purchased a 62 percent stake, valued at about US\$22m, in the 21st Century International Development Company. This is a 100% foreign owned entity with a 50 year development right over a 55 hectare site in District 2, HCMC. The development will consist of a mixture of residential, commercial leisure and tourism uses. This has now been allocated 25% to VOF and 75% to VinaLand.

Up to March 31 2006, VinaCapital had completed due diligence, finalized the company structure, left a deposit to carry out the deal, and worked with consultants to update the master plan. The offshore company and necessary bank accounts to invest in the project has been set up. The transfer of the project from the existing foreign investment vehicle to the new company is in progress.

Real Estate Investments

Existing Investments

A&B Tower



As of 31 March 2006, VOF held 35 percent stake, valued at US\$1,250,000, in the A&B Development Corp Joint Stock Company.

The A&B Tower project involves the construction of a 28-story office building in the heart of Ho Chi Minh City's Central Business District. Given the shortage of office space in prime CBD locations and the increasing demand for floor space from local businesses, the A&B Tower is anticipating strong customer demand. Over a net leasable area of 24,789 sqm, the A&B Tower is expected to have a gross yield of 28 percent.

Planning permission approval from the Department of Planning and Architecture is in progress. Current project scale: 60% site coverage, 28 storeys, plot ratio 16, GFA 30,240 m². Contract with PM/ C&S Design has been signed. Test pile procedure is on target with construction expected to be completed in the fourth quarter of 2007.

Hung Vuong Plaza



As of 31 March 2006, VOF held 33.17 percent stake, valued at US\$1,740,269, in the Hung Vuong Plaza Development Project.

Hung Vuong Plaza is a mixed-use retail, commercial and residential development located in the densely populated District 5 also known as China Town in Ho Chi Minh City. The Plaza will cater to the needs of this bustling district with limited existing retail space and a rising demand for consumer goods.

Construction is on-going. The first phase of building the retail center is on target to be completed by the end of 2006. The whole construction is expected to be completed by the end of 2007.

Petrolimex Land Holdings JS Company



As of 31 March 2006, VOF acquired a 10 percent stake, at a cost of US\$627,668, in Petrolimex Land Holdings JS Company (PLand).

PLand focuses on land-banking and property development on land vacated through the relocation of Petrolimex petrol depots. Petrolimex Corporation is the largest oil and petrochemical products enterprise in Vietnam, with more than 1,000 service stations nationwide.

Training PLand staff is a priority. The first lecture course in market, financial appraisal, property valuations has been delivered to PLAND in Hanoi. The PLAND team now has the capacity to conduct a simple property valuation. The second lecture course on technical issues will be given soon.

Real Estate Investments

Nha Trang Project



VOF in April 2005 purchased 30 percent stake in TD Corporation, a company developing a five-star hotel and apartment complex in Nha Trang.

Nha Trang, the coastal capital of Khanh Hoa province, is one of the premier resort towns of Vietnam. This asset, which was acquired at a steep discount from a distressed Taiwanese company, is situated in the center of Tran Phu Street, the deluxe beach-front hotel strip in Nha Trang which is home to the famed Ana Mandara resort.

The investment costs a total of VND48 billion (approximately US\$3.038 million). The Fund has made US\$860,846 in payments to date and will pay the remaining balance as construction progresses. The 22-story building complex, covering a total construction area of 47,569 sqm, will have 250 hotel rooms and 110 apartments.

The investment report was submitted to the central government and Khanh Hoa local authorities at the end of October 2005. Contracts with all consultants are ready and will be finalized once TDC receives approval from central government. Construction is expected to begin in the second quarter of 2006.

Vista Villas



As of 31 March, VOF held a 100 percent stake in Pegasus Leisure Limited, the owner and developer of a leisure park sitting on a 5 hectare parcel of land facing the Saigon River and 7 kilometers from downtown. The investment cost US\$2,830,000.

Value creation opportunities lie in redeveloping the property from a leisure park, which is currently breakeven, into a residential area to cater to the rising demand for high-quality housing for the fast growing middle and upper class in Ho Chi Minh City.

Detailed designs for a gated residential area of 51 villas are now complete. A recent CB Richard Ellis survey valued the site at US\$8.3 - 10 million.

VOF is in discussions on various financing options. Quotations for reclaiming works, retaining wall and M&E and C&S are being submitted and evaluated.

Phong Phu Land



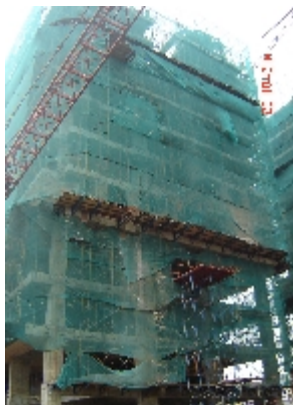
As of 31 March, VOF held a 40 percent stake in Phong Phu Land which focuses on land-banking and property development on land vacated by textile companies that must relocate to industrial areas in compliance with anti-pollution laws. Value creation opportunities lie in redevelopment on and sale of land in major cities where property values are rising rapidly due to urbanization.

VinaCapital holds two out of five board seats in the Company.

Phong Phu, together with VOF has acquired 72.5% of Vegatexco's shares. Vegatexco owns a more than 10 ha site in Tan Phu district. The site will be developed into the biggest commercial complex in HCMC.

Real Estate Investments

SCREC



Last quarter, VOF bought out the development of an apartment building in HCMC from SCREC, a property development company. The investment cost US\$2,838,822 or 1.3 percent of VOF net assets.








The building, conveniently situated fifteen minutes from the CBD, will supply 144 apartment units in light of the rising demand for housing in Ho Chi Minh City. Over a net saleable area of 10,662 square meters, the manager expects total revenue of US\$9 million. VOF will inject US\$2.8 million in equity into the project.

The sales office was ready on the first week of April and sales were expected to start in the middle of April. The average sale price set by CBRE is VND 13,000,000 per m² (or USD\$817). VOF has selected BIDV to help buyers to finance their purchase.

Listed Investments Portfolio

VOF is an active investor in the local stock market, targeting quality companies offering both value and attractive dividend yields. Important further considerations include the quality of management, corporate governance, growth potential and brand recognition.

VOF Listed Portfolio Summary (Figures in US\$)

	Ticker	Industry	Cost of Investment (US\$ '000)	Shares held by VOF '000	% Stake	Market Value (US\$ '000)	P/E 2006 x	Div. Yield %
	Kinh Do (KDC)	Confectionary	6,902.5	2,878.6	11.5%	14,815.9	17.6x	1.9%
	Reetech (REE)	Mechanical Engineering	4,618.7	2,017.2	7.2%	9,939	11.7x	1.9%
	Transimex (TMS)	Freight Forwarding	1,059.5	378.8	7.7%	1,509.6	14.7x	2.4%
	Phuong Nam (PNC)	Cultural Products	452.5	454.1	22.7%	983.3	21.5x	1.8%
	Vinamilk (VNM)	Dairy	17,591.6	6,347.3	4.0%	32,270.3	17.0x	2.1%
	TRIBECO (TRI)	Beverage	386.4	230.9	5.1%	507.3	13.5x	4.3%
	Gemadep (GMD)	Freight Forwarding	996.8	233.5	0.2%	1,077.1	17.5x	8.1%
	TaYa (TYA)	Wire and Cable	897.8	509.1	2.8%	1,153.5	10.3x	N/A
	Others		114.6	75.7	N/A	26.4	N/A	N/A
Total			33,020.4	13,125.2		62,520		

As of 31 March 2006, VOF held a portfolio of 13 listed companies. Owing to the strong stock market over the quarter VOF took advantage of high prices to sell smaller non strategic holdings. Unrealized gains for the period amounted to US\$29,499,500, or an 89 percent increase in value.



Fund Summary: Vinaland

FUND LAUNCH	March 22nd, 2006
TOTAL COMMITMENTS	US\$205 million
FUND DOMICILE	Cayman Islands
LEGAL FORM	Close Ended Company Exempted
STRUCTURE	Single class of Ordinary Shares listed on the London Stock Exchange Alternative Investment Market
INVESTMENT MANAGER	VinaCapital Investment Management Ltd.
INVESTMENT FOCUS	Medium-term capital gains with some recurring income through investments in the following real estate sectors:
	<ul style="list-style-type: none"> • Office; • Residential; • Retail; • Industrial; and • Leisure.
INVESTMENT FOCUS BY GEOGRAPHY	Greater Indochina comprising:
	<ul style="list-style-type: none"> • Vietnam (minimum of 70 percent); • Cambodia; • Laos; and • Southern China.

Executive Summary

Vinaland Overview and Update

During the quarter we listed Vinaland on the 22nd of March on London's AIM market. VinaLand's share price closed at \$1.25 on the 31st of March, 2006. Vinaland made its first real estate investment in April and below is the text of the press release issued at that time. The fund is active in negotiations on several fronts currently and we look forward to releasing more press releases in the coming weeks and months.

VinaLand has bought a controlling stake in a multi-purpose development project in District 2, Ho Chi Minh City. The project will consist of an office and commercial complex for lease, a residential development of apartments, houses and villas (both for sale and for lease) and entertainment, tourism and cultural centres.

The development will be situated on a 55 hectare site within a superb setting on the banks of the Saigon River and will be located 12 km away from District 1, Ho Chi Minh City's central business district. District 2 is a green field area located adjacent to District 1 and will be connected to District 1 by a bridge and tunnel which are currently under construction and expected to be completed within the next eighteen months.

This strategic investment represents the Company's commitment to the development of Vietnam's "Second City" and is expected to provide, upon completion, facilities and amenities for over 50,000 people.

VinaCapital Investment Management Limited, the Company's investment manager, and the other partners in this project, are submitting an application to the government of Vietnam for approval of VinaLand's participation. VinaLand's commitment is conditional upon receiving this approval, which is expected in a few weeks' time. The development cost for the whole project in the next 5 years is expected to exceed US\$500 million.

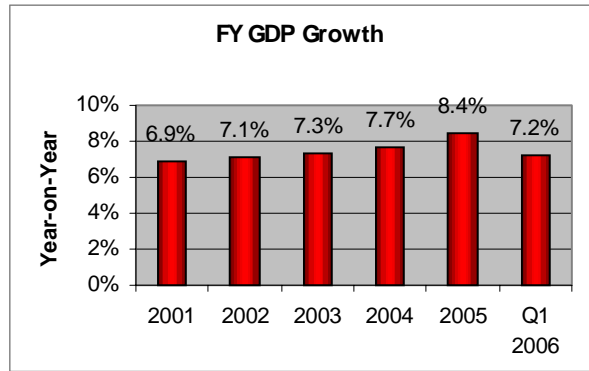
Capital Markets

MACROECONOMIC OVERVIEW

KEY ECONOMIC INDICATORS

GDP stays strong in Q1

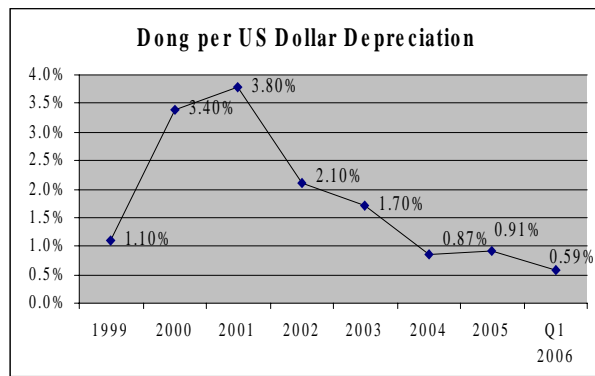
In the first quarter of 2006, GDP rose by 7.2 percent, only slightly below the 7.3 percent growth registered in the same quarter in 2005. Floods, drought and other natural disasters curbed growth in the agricultural sector nonetheless the overall economy remains very robust. Agriculture grew by 2.1 percent compared to 4.3 percent a year earlier. Meanwhile the Asia Development Bank issued its revised GDP forecasts estimating growth of 7.8 percent and 8 percent in 2006 and 2007 respectively.



Source: General Statistics Office

Stable Exchange Rate

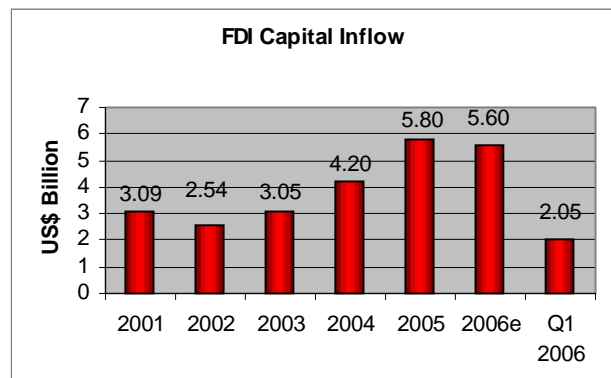
The *dong/dollar* exchange rate was quoted at VND 15,910 on March 31st, 2006 representing a depreciation of 0.59 percent during the year. This was well within the State Bank's target of a 1 percent depreciation of the *dong* to the dollar. Demand for the *dong* has been supported by high levels of tourism revenues, foreign remittances from overseas Vietnamese, and foreign direct investment and the falling trade deficit worked to support it in Q1.



Source: Vietnam Ministry of Finance; State Bank of Vietnam

Foreign Direct Investment (FDI) surge continues in Q1.

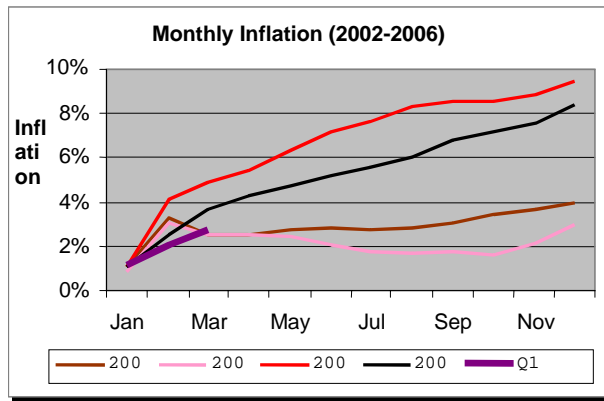
Total Q1 FDI attracted reached US\$2.05 billion, which is a third of the annual target. Intel's \$605m investment was the highlight but there were also major announcements concerning projects from Japan and Korea. Japan's Nippon Yusen will invest at least \$200m in Vietnam, mainly in port facilities and warehousing while Korea's Kumho tire announced a \$155m investment. Honda and Hyundai also announced significant investments to expand existing operations.



Source: Saigon Times Weekly; Vietnam Agency, GSO

Inflation peaks and starts to dip

The annualized rate of inflation fell to 7.7 percent in March, down from 8.4 percent in February as the impact from high food prices began to recede. A bumper rice winter-spring rice crop in the Mekong Delta was one significant factor in pushing down food prices. The SBV expects that inflation this year will rise between 7-8 percent, still above government targets but nonetheless relatively contained compared to 2004/2005 levels.



Source: Vietnam Economy

Tourists flock to Vietnam

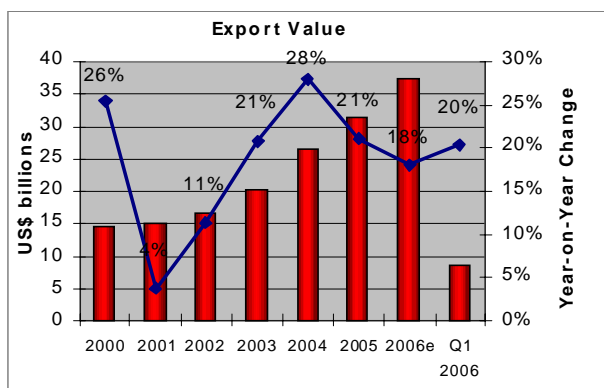
In Q1 2006, Vietnam received around 0.98 million foreign tourists up 16.3 percent year-on-year. Tourist revenues are expected to rise 7.5 percent this year. The Vietnamese government has announced plans to invest \$1.5bn into tourism infrastructure between now and 2010. This will be spent mainly on upgrading roads to leading tourist centers. The goal is to attract 5.5-6m foreign visitors and 26m domestic tourists by 2010. And generate income of \$4-4.5bn, up from VND30 trillion (US\$1.91 billion) in 2005.



Source: Vietnam Tourism Website

Export Growth Picks Up

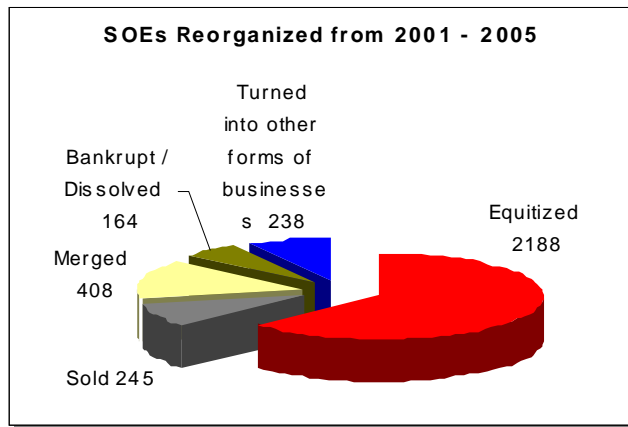
In Q1 2006, exports increased by 20.3 percent year-on-year to US\$8.56bn while import growth slowed sharply to 1.9 percent (US\$8.51bn). This pushed the country's trade balance into the black with a surplus of \$50m. One major reason for the import slowdown was the sluggish auto sector as tax changes and the announcement of a more liberal policy on second hand imports took their toll. On the export side garment exports recovered sharply in Q1, up 40 percent year/year.



Source: Vietnam Economic Times, ADB, VIR

SOE Privatization targets set.

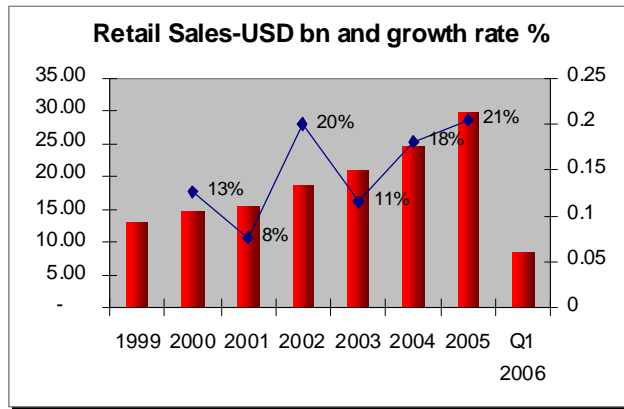
Vietnam will equitize 1,700 out the remaining 2,700 state owned enterprises between now and 2010 according to the latest government targets. Apart from large banks such as Vietcombank and BIDV, other large enterprises such as Vietnam Airlines, Vietnam Glass and Ceramics and Vietnam Construction and Import-Export Corporation are also earmarked for equitisation before 2010.



Source: Vietnam Agency, Vietnam Investment Review

Retail Sales Surge

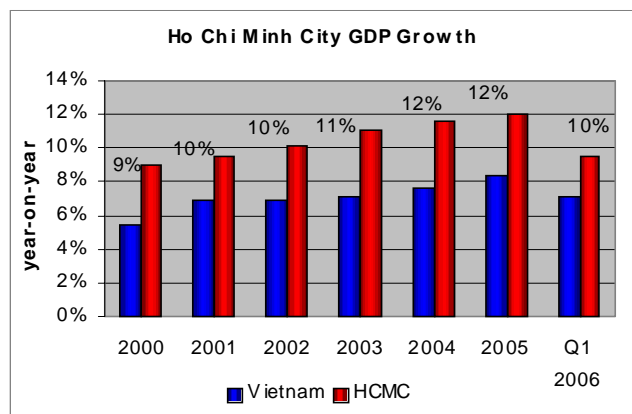
Retail turnover for goods and services in Q1 rose to \$11 billion, a 19.4 percent increase year/year. On average the Vietnamese consumer spent VND2.12m over the period or VND530,000 per month (US\$33.5). Supermarket sales accounted for 10 percent of the total. Vietnam now has 160 supermarkets and 32 shopping centers. While 90 percent of retailing still takes place in local markets 60 percent of HCM residents and 20 percent of Hanoi residents shop regularly in supermarkets.



Source: Saigon Times Weekly

Ho Chi Minh City: Vietnam's Services Hub slows slightly

Ho Chi Minh City's economy continues to grow but at slightly less than double-digit rates, having achieved a growth rate of about 9.5 percent in Q1, 2006. This is still stronger than the 7.2 percent GDP growth achieved by Vietnam as whole. Nonetheless it marks a slight easing of the pace of last year due to a slowdown in agricultural related activity and some manufacturing sectors. The service sector however continues to grow, providing the main engine for the local economy.



Source: HCMC Department of Planning & Investment

GROWING REGIONAL AND GLOBAL INTEGRATION

Vietnam WTO update

Vietnam continues to make slow but steady progress towards its goal of joining the WTO. Market access talks with Honduras and the Dominican Republic have now concluded leaving the US and Mexico as the last two nations with which Vietnam must reach agreement. Simultaneously Vietnam is holding talks with a working group of 40 members who have to report progress on Vietnams moves to implement WTO related legislation. The Chairman of that group has said accession is now in the final stages. Talks with the US, recently went well and the US ambassador has stated that agreement is very close although some work still need to be done.

Comment: *The end of year deadline may be slipping at this stage and we feel there is a reasonable chance this will tip into 2007. While we are confident a deal will be reached soon between the US and Vietnam, passing it through Congress may be tough this year. Its election year in the US and the more protectionist air in Washington these days might make a pre-election vote difficult. Despite personal support from the Speaker of the House of Representatives Dennis Hastert we see this as more of a 2007 deal.*

EU slaps tariffs on Vietnamese footwear imports

The EU slapped tariffs on Vietnamese footwear imports beginning in April 7th at a rate of 4.2 percent and rising to a peak of 16.8 percent by September this year. In 2005 Vietnamese footwear exports to the EU were little changed at \$1.79bn representing about 59 percent of total footwear exports from Vietnam. The US market now accounts for about 20 percent of total footwear exports from Vietnam but its unlikely it will be take up all the slack caused by the EU's move. China has had even higher tariffs imposed on its footwear exports to the EU. The Vietnamese are appealing to the EU to revise some of the duties to reduce their impact on the smaller Vietnamese footwear manufacturers who will be worst affected by the move.

US revise tariffs on Vietnamese catfish imports

The US has revised tariffs on two Vietnamese catfish importers, raising rates for one and reducing them for the other. Can Tho Agricultural and Animal Products Import Export Co's duty was almost doubled to 81 percent from 46 percent after they apparently failed to cooperate with documentation requests. However Vinh Hoan Co's duty was cut to 7 percent from 37 percent. The Vietnam wide rate on catfish imports was left unchanged at 64 percent applying to all catfish companies except the two mentioned above. These two cases illustrate the importance for Vietnamese export industries of WTO entry as Vietnam's current non-market status renders it very vulnerable to dumping cases from both the EU and the US.

Comment: *Both of these ongoing trade spats are a clear illustration of why Vietnam needs to join the WTO as soon as possible to protect its export trade. Its current "non-trade" status makes it a walking target for disgruntled US catfish farmers and European garment and footwear manufacturers. Not that WTO membership will eliminate these disputes but it will give Vietnam more weapons to fight with.*

CHANGING REGULATORY ENVIRONMENT

Party Congress goes swimmingly

The 10th Party Congress held on the 18th-25th April wrapped up amid talk of economic reform and fighting corruption. The congress adopted a strong economic growth platform for the next five years and elected a lot of new faces to the party leadership.

While Communist Party chief Nong Duc Manh was appointed to another five-year term, a new prime minister and president were appointed although not formally announced. Deputy premier Nguyen Tan Dung, 56, was set to take over as prime minister, replacing his long-time mentor Phan Van Khai. Dung, a southerner with wide connections in the party, military and police and a stint as state bank chief under his belt, has long been expected to take over as premier. Ho Chi Minh party chief Nguyen Minh Triet, 63, a well regarded politician and a southerner was expected to be confirmed as president. Of the former 14 politburo members, only six stayed. The finance minister was promoted to deputy prime minister and most senior financial bureaucrats all moved up one rank.

Comment: *A good congress for reformers with some very able politicians such as the finance minister, industry minister and, SSC chairman all moving closer to the top. The priority being placed on economic reform and development is clear with concern that banking sector development and the equitisation process has been slow over the past five years. The pace will pick up now and the right people are in place to lead it.*

Law on Residential Housing

The government has issued a series of decrees and laws recently in an attempt to clarify the legal position of house owners and unblock the property market which has been frozen since late 2003. The law on residential housing gives owners of both residential housing and residential land full legal ownership and protection and sets out a clear legal framework for residential housing developers. In a separate decree the government made it easier for developers to pre-sell blocks of land before the infrastructure is completed provided the infrastructure plan itself is approved.

Comment: *Good news for the real estate market. These changes will help the residential market to grow more quickly and also improve cash flow for real estate developers who have been squeezed of late because of the strict ban on selling from plan before infrastructure was developed. There are signs that the overall market is starting to move again. .*

Tightening controls on Pharmaceutical industry pricing

The government is concerned about the fast rising cost of healthcare, including drug prices has been turning the screw on the rapidly growing pharmaceutical sector in an attempt to keep health costs under control. Accordingly Vietnam's Pharmaceuticals Management Department has announced ruled out any rapid rise in medicine prices this year. 58 top drug makers following Good Manufacturing Standards (GMP) had asked for 3-5 percent price rises and some between 5-10 percent but the smaller industry players actually want price reductions for both domestically produced and imported drugs. Currently if a drug price rises over 5 percent the government distributes national drug reserves to stabilize the price. Any price rise over 1 percent requires approval. The approved price list will be published soon.

Comment: *Short-term negative for pharmaceutical companies. The sector is very fast growing as rising wealth leads to greater health care expenditure. The government's attempt to rein in costs is simply following the example of many governments elsewhere. Some drug companies have gone ahead and increased prices without waiting for government approval as drug raw material prices (90 percent imported) have risen sharply. This may be tempting fate as the authorities are starting to crack down. They are also requiring all prices to be published on a company's website*

CAPITAL MARKET DEVELOPMENTS

Vietnam Stock Market surges as domestic retail investors jump in

The stock market closed at a level of 503.56 on the 31st of March, jumping a very impressive 63.7 percent during the quarter. This is more than double the gain for all of last year when the market rose by only 28.5 percent. This rather dramatic rally took place as speculation over the imminent privatisation of major banks drew a large number of retail investors into the market, many for the first time. Banks shares led the rally throughout although all listed and most OTC stocks enjoyed very strong gains. Trading volumes also rose sharply over the period and for the first time in several years the market has seen good daily liquidity across a broad range of issues. .



Comment: Many observers were caught out the sheer upward momentum of the market in the first quarter. It's fair to say that at about 21.5x FY05 earnings, and just over 17x FY06 forecasts the market is fully valued compared to its Asian peers. The sharp upward spike was led by domestic retail investors, partly looking for alternatives to the property market and partly driven by the expectation that foreign investors are about to rush in. The move was led by banking shares, which will be listing onto the market in the next two years. While the mood of the market will remain buoyant over the course of the year we expect a correction over the summer to allow investors to draw breath. And we would caution that the move is pure momentum driven, fundamentals are not something retail investors pay any attention to yet.

There is also concern that some investors have been using shares as collateral to borrow money in order to leverage their positions. This makes the market very vulnerable to a reverse once sentiment turns. Taking stock, whatever the risks we face the market has now established itself as an investment vehicle in the minds of domestic investors and we can expect greater participation in future. As such it is a watershed and brings with it greater liquidity and trading opportunities. And its fun while it lasts.

Key Events during the Quarter...

Ho Chi Minh Securities Trading Center expands trading

The trading center responding to the recent frenetic pace of trading has announced that from June the market will increase the number of daily price setting operations to three daily, up from two currently. Currently order matching takes place in two sessions between 9.00am and 10.30am. This move is part of a series to upgrade the trading center to stock exchange status by next year. The exchange will be organised as a joint stock company under the direct supervision of the SSC.

Sacombank to List in Ho Chi Minh City

During the quarter the SSC announced that Sacombank had applied to list on the exchange, becoming the first bank to do so. With a market capitalisation of slightly over US\$1bn after a recent financing the move would lift the exchange's overall market capitalisation to close to US\$2.6bn. And go some way towards cooling down what has become a much overheated market. Another five companies have also made listing applications, however these are small fry with a combined registered capital of only US\$9m.

Viettel to equitise

In early March, the government approved an application by Viettel Mobile, the nation's third largest mobile carrier to equitise into a joint stock company. The military run company is trying to expand its infrastructure and needs the money an equitisation would bring. Vinaphone and MobiFone also plan to equitise before the year-end. Viettel currently has 2.3 million subscribers compared to Vinaphone and MobiFone which have 4 million and 3.8 million respectively.

VINA CAPITAL PRESS RELEASE : VOF FUND MANAGEMENT FEES

RNS Number:8919Z
Vietnam Opportunity Fund Limited
16 March 2006

Vietnam Opportunity Fund (“VOF” or “The Company”)

Amendment to Manager’s Fees
16 March 2006

The Board and the Manager have agreed to reduce the Management Fee from the current rate of 2.5 percent of the total NAV of the Company to a rate of 2 percent of the total NAV of the Company.

Under the current investment management agreement between the Company and the Manager (the “IMA”); the Manager is also entitled to receive a performance fee on an annual basis at the rate of 20 percent of the total increase of the net asset value (“NAV”) of the Company during the course of a year with a high water mark over an annualised compounding hurdle rate of 10 percent. The Board and the Manager have agreed to amend the terms of the IMA to pay a performance fee on an annual basis at the rate of 20 percent of the total increase in NAV of the Company during the course of the year with a high water mark over an annualised compounding hurdle rate of 8 percent plus catch up.

The Board believes these changes, with a reduced fixed fee and increased performance element, will better align the Manager’s interests with that of the Company’s investors and is more in line with industry practice. This amendment will take effect from 1 July 2006.

As the amendment to the IMA represents a “related party transaction” for the purposes of AIM rules, the independent director has consulted (in accordance with the provisions of the AIM Rules) with the Company’s nominated adviser, Grant Thornton Corporate Finance, with regard to the proposed amendment to the IMA and is consequently satisfied that the amendment is fair and reasonable insofar as its shareholders are concerned.

This information is provided by RNS
The company news service from the London Stock Exchange

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RECENT PRESS**Vietnam Could Be The New China***Entrepreneur.com – 24 February 2006*

When Patrick Kruse realised he'd have to manufacture offshore if he wanted to remain competitive, he started with China. That gave him the labour-cost savings he needed, but quality was sorely lacking. "We actually had to refuse some shipments, which really hurt our business," says the 45-year-old founder of Ruff Wear Inc., a Bend, Ore.-based maker of dog booties and other canine gear with US\$2 million in 2005 sales.

Another entrepreneur suggested Kruse check out Vietnam, and provided a referral to a factory owner there. When Kruse visited, he found a booming sewing industry catering to European buyers, which had developed during the years when Vietnam was on the outs with US trade policy. Kruse noticed that many of the factories in HCM City specialised in backpacks, climbing gear and other products similar to the performance canine apparel and equipment Ruff Wear sold.

"The infrastructure was there," Kruse reports. "All we had to do was plug into it." Since signing on in 2003 with a factory in HCM City, his quality problems have disappeared. Now Kruse deals directly with Vietnamese manufacturers instead of the multiple middlemen he encountered in Hong Kong. And Vietnam's Communist government offers financing and tax incentives for constructing factories in designated economic zones. Kruse is paying a somewhat higher price than he did in China, but quality and convenience make the move worth the cost, he says.

Vietnam may be emerging as a smaller version of what China was a few years ago, according to offshoring and outsourcing experts. The country had the lowest wages for IT workers of seven nations—including China, India, Malaysia, the Philippines, Singapore and Thailand—that were surveyed in 2004 by NeoIT, a San Ramon, Calif., offshoring consultant. Demand is catching up to supply in some of the countries that have taken the lead in offshoring, according to Ton Heijmen, senior advisor of outsourcing for The Conference Board in New York City.

That leads to rising costs in places that previously based all their appeal on low costs. "India is getting more expensive, especially in IT-related outsourcing," says Heijmen. "And there is a shortage of certain IT skills there already."

India, Vietnam to Make Up 10% of CapitaLand's Profit (Update2)

By Linus Chua and Haslinda Amin, Bloomberg - 17 Feb 2006

Feb. 17 (Bloomberg) — CapitaLand Ltd., Southeast Asia's biggest developer, expects its two newest markets, India and Vietnam, to make up 10 percent of its pretax profit in the next two years, Chief Executive Officer Liew Mun Leong said.

The company announced decisions this week to enter the two markets with plans to build homes to tap into fast-growing economies where more people are moving to major cities, he said.

"Both countries have a lot of potential with a rising middle class," said Ong Choon Fah, head of research at DTZ Debenham Tie Leung, a property consulting company. "Progress has also been made over time in areas such as the legislative framework."

CapitaLand has been expanding to countries such as China and Australia to broaden its profit stream beyond Singapore's market of 4.3 million people. CapitaLand said its Singapore assets now make up 45 percent of its S\$18.2 billion (\$11 billion) portfolio. Yet, they only contributed 21 percent of the company's S\$860 million pretax profit in 2005. The stock also rose today as analysts raised their share price estimates.

"These two new markets can be a big growth area," Liew said in an interview. "I'm very confident that in Vietnam, as well as in India, the momentum will pick up very fast. The demand in these markets is very high."

Other Markets

Liew said he expects other markets, such as China and Thailand to expand further, and how much India and Vietnam ultimately contribute to the company's profit will depend on the overall growth of its business in the countries.

India and Vietnam "are very exciting markets," said Pratik Burman Ray, an analyst at UOB-Kay Hian Research Pte, who rates CapitaLand a "buy." "The two markets, especially the Indian market, would be the ones to watch out for. Contributions in the near term won't be significant but it's important to get the foot in the door."

Australia and New Zealand make up CapitaLand's biggest markets, contributing 29 percent to 2005's pretax profit. That's followed by China, which added 24 percent. Other Asian markets and its European operations accounted for the rest.

CapitaLand said on Feb. 15 it agreed to pay 817.5 million rupees (\$18 million) for a stake in a Mumbai joint venture, marking its entry into the country's residential market.

CapitaLand will own 49 percent of Runwal CapitaLand India Pvt., a partnership with Mumbai-based Runwal Group that plans to develop more than 500 apartments in the Indian city.

CapitaLand said it also plans to expand into New Delhi, Bangalore, and possibly Chennai.

Shares

In Vietnam, CapitaLand said on Feb. 14 it would pay \$11.2 million for an 80 percent stake in a venture that will develop a residential property in Ho Chi Minh City. The venture, which will develop about 1,000 apartments, will be its first residential project in the country.

CapitaLand's shares rose after Credit Suisse and at least four other stock brokerages raised share price estimates for the stock. Credit Suisse's analysts Ernest Fong and Melissa Bon said in a report today CapitaLand's shares are expected to reach S\$4.35 in the next six months from an earlier S\$3.61 estimate. Merrill Lynch analyst Sean Monaghan raised his 12-month estimate to S\$4.53 from S\$3.58, he said in a report dated Feb. 16.

The changes in share-price estimates come as CapitaLand said its assets under management, which include real estate investment trusts as well as other properties, have risen 38 percent to S\$8.5 billion in 2005, poised to rise to S\$13 billion by 2007.

'Too Conservative'

"We are now assuming asset management to achieve S\$14.5 billion by end-2007," the Credit Suisse analysts said. "Given the growth in assets under management that CapitaLand is experiencing, we believe our previous valuation" is "too conservative."

The stock climbed 1.5 percent to S\$4.10 at the 5:05 p.m. local time close, after climbing as much as 2 percent.

UOB-Kay Hian also said the assets under management will probably "cross" the S\$13 billion mark by 2007. The Singapore-based brokerage raised its share price target to S\$4.50 from S\$3.86. CIMB-GK analyst Tricia Song, who has an "outperform" rating on the stock, raised her price estimate to S\$4.52 from S\$4.01. Analysts are also upbeat on the company's expansion plans in the region, including Vietnam and India.

Asian Expansion

CapitaLand will be "leveraging on its expertise and regional network to grow its residential, retail, commercial and integrated resort development, serviced residence business across Asia," Song said in her report yesterday.

The stock has risen 19 percent in this year, the third-best performer on the Singapore benchmark Straits Times Index.

DBS Vickers Securities said in a report today it's upgrading the share price estimate to S\$4.43. The Singapore-based brokerage still cut its recommendation on the stock to a "hold" because of the gain in share price since the start of the year.

CapitaLand yesterday said fourth-quarter profit fell 16 percent, reflecting slower home sales in China and a writedown in the value of its Singapore office buildings.

Net income fell to S\$93.2 million in the quarter ended Dec. 31, from a restated S\$111.5 million a year earlier. Sales fell 16 percent to S\$898.8 million. For the year, profit more than doubled to a record S\$750 million after its unit Raffles Holdings Ltd. sold its hotel operations, including the 119-year-old Raffles Hotel in Singapore.

Vietnam, first option for Japanese companies: survey

By Viet Ha – Vietnam Agency News

Japanese investors have praised Vietnam as the most attractive investment destination among ASEAN member-countries, a survey by the Japan External Trade Organization (JETRO) has found.

Japanese companies operating in six ASEAN countries – Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam – were polled, in addition to India.

Vietnam topped with 38.8 percent of the companies naming it the best investment destination, followed by the Philippines with 26.1 percent, Thailand with 21.6 percent, and Singapore with 20.2 percent.

Vietnam had the highest percentage of firms that were expanding production and transferring aspects of their production from other countries.

This suggests Vietnam is becoming a destination for Japanese firms seeking to reduce their overdependence on China and spread their business risks in the region more evenly.

More than half the respondents said Vietnam had a cost advantage over China.

Vietnamese report

Another report, this time from the Vietnamese Planning and Investment Industry, forecast a wave of fresh Japanese investment in the country.

Japanese firms led in actual investment in Vietnam and were most interested in expanding operations in Vietnam, the report said.

Actual Japanese investment in Vietnam – as opposed to amounts pledged – is worth US\$4.2 billion while that of Taiwan and Singapore, notionally the leading investors in Vietnam, are \$2.94 billion and \$3.6 billion respectively.

Vietnam became attractive to Japanese investors after it passed the Enterprise Law last year which treated domestic and foreign investors equally, Hirota Nakanishi, a senior expert at the Japan-Asean center, explained.

They expected conditions to improve further once the amended Investment Law took effect in July this year, he said.



Sun Wah Tower, 17th Floor

115 Nguyen Hue, District 1

Ho Chi Minh City, Viet Nam

P/f: (84) 8 821 9930 / (84) 8 821 9931

www.vinacapital.com

don.lam@vinacapital.com

info@vinacapital.com