

## Message from the Investment Manager

Dear Shareholders,

We are pleased to present the quarterly report for the VinaCapital Vietnam Opportunity Fund Limited (VOF), VinaLand Limited (VNL) and Vietnam Infrastructure Limited (VNI) for the three-month period ending 31 December 2009.

Many investors will have seen the market and funds' update released on 14 January. This letter explained our confidence going into 2010 as Vietnam's economy continues to show strong signs of recovery. Although the Vietnam stock market is not expected to repeat 2009's 56.8 percent gain, our funds are nonetheless strategically well-placed to increase shareholder value over the year. As more gains are realised, we remain confident that the share price discounts will lessen substantially.

During the past quarter, VinaCapital further strengthened what is already among the most experienced team of investment managers in Vietnam. The Group added two new managing directors – Tony Hsun, responsible for infrastructure investment, and Phuc Than, responsible for technology sector investment (primarily the investments of the DFJ VinaCapital LP technology fund). Another initiative now underway is a project management joint venture to further strengthen the capability of VinaCapital Real Estate Ltd to deliver world-class projects.

A priority for 2010 will be to actively close the share price discounts of our funds. We have a track record of realising exits above carrying value, and we believe 2010 will extend this record. Furthermore, the healthier stock market and gradual return of strategic and institutional investors to Vietnam should make it possible to aggregate sector holdings for IPOs or trade sale. This is a particularly relevant strategy for VNI and VNL. We recognise that ultimately it is investment success that will best guarantee a decline in the share price discounts.

VOF's NAV at 31 December 2009 declined by 4.6 percent to USD785 million, or USD2.42 per share, from USD823 million, or USD2.53 per share, at the end of September. During the quarter,

VOF saw several investees list, such as top capital markets holding Eximbank (EIB). The fund invested in Hoan My hospital group, its first private equity investment of the year. With a tightening of bank lending, more private companies are looking for strategic investors, and we expect PE deal activity to increase notably in 2010.

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. During the quarter, VNL continued to record excellent results with sales and sales reservations at our residential projects in Danang and Ho Chi Minh City. With five more residential projects to launch in 2010, VNL will continue to benefit from the strength of residential housing demand in Vietnam.

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. Near the end of the quarter, VNI's first investment in the environmental utilities sector, Vietstar JSC, opened the Vietstar Lemna Eco Centre, which is the largest modern waste treatment facility in Vietnam.

We look forward to 2010 and will continue to update you on our investment results.

Very truly yours,

Don Lam  
 CEO  
 VinaCapital Group

## Performance summary

Most recent NAV:	VOF (31 Dec 09)	VNL (31 Dec 09)	VNI (31 Dec 09)
NAV per share (USD) <sup>1</sup>	<b>2.42</b>	<b>1.39</b>	<b>0.67</b>
Return (%) <sup>2</sup>	(from Nov 09)	(from Sep 09)	(from Sep 09)
Previous NAV	0.8	6.1	0.8
YTD	29.7	-9.2	5.5
Since inception	149.5 (30 Sep 03)	43.3 (22 Mar 06)	-20.6 (5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	785	694	267
Market cap (USDm)	489	400	130
Reuters	VOF.L	VNL.L	VNI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

<sup>1</sup> Unaudited. VOF NAV is updated monthly; VNL and VNI NAVs are updated quarterly.

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

<sup>3</sup> VNI holds 930,700 shares in a treasury facility.

## Market update

### Year-end marked by rising inflation, deficit concerns

### Market will wait for policy measures to take effect

#### Capital markets and economy

Vietnamese equities underwent a correction the last quarter of 2009, with the Vietnam Index falling 14.8 percent. Relative to regional markets, Vietnamese equities underperformed over the quarter as the MSCI Asia ex-Japan Index rose 10.2 percent and the MSCI Emerging Markets Index gained 12.1 percent. On the bright side, market trading was healthy in the fourth quarter, with average trading values across both of Vietnam's stock markets rising to an average of USD222 million per day, from USD175 million per day in the third quarter.

Vietnam's GDP growth accelerated again in Q4 2009, reaching 6.9 percent year-on-year, to lift GDP growth for the year to 5.3 percent. Year-on-year inflation for 2009 came in at 6.9 percent but showed a clear accelerating trend over the fourth quarter, with the monthly rate at 1.4 percent in December alone. Other indicators also suggest that the Vietnamese economy is showing early signs of overheating. The trade deficit for November and December was above USD2 billion total, and loan growth for 2009 was 38 percent, ahead of the 30 percent target set by the State Bank.

Policy makers chose to act in November to contain the risk of overheating. The State Bank raised interest rates by 100 basis points to eight percent, subsidies offered on loans as part of the stimulus programme were cut to two from four percent, and short-term loans were excluded from the programme from 2010. Finally, the VND was devalued by 5.4 percent in a one-off adjustment to improve export competitiveness and narrow a widening spread between the official exchange rate and the cash-driven open market. The currency devaluation took place while gold prices internationally were surging, and this was also a contributing factor to the weakness of the VND in open market. As a follow-on measure, and to reduce volatility in the market, the government sought to end margin and paper trading in gold by ordering the closure of gold trading floors nationwide.

These policy measures have been widely interpreted as necessary and pre-emptive in nature, and early signs of success have begun to emerge. The trade deficit has already begun thus far in 2010 to decline and tight liquidity conditions have reduced speculative capital from the system. Consequently, secondary market bond yields may have peaked, as an 11-12 percent yield is likely already discounting another increase in interest rates in the coming months.

As a result, equities trading will likely be moderate in the short term. The government will resume bond auctions after the Tet lunar new year celebrations, most likely at higher coupons. While market valuations are reasonable at a trailing PE of 13.0x, and 11x consensus for 2010, the market will look for signs that inflation and the trade deficit are being contained before a bullish sentiment returns. In the meantime, long-term investors have the opportunity to accumulate quality blue chips stocks and benefit from the reasonable valuations seen in the market.

#### Capital market indicators

VN Index	31 Dec 09	31 Dec 08	52 wk low	52 wk high
Close	494.8	315.6	234.7	633.2
Change since (%)	--	56.8%	110.8%	(-21.9%)
Trailing PER (x)	16.1	Est. PER 2009 (x)	15.8	
Trailing P/B (x)	1.8			
Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	10.8	11.7	11.7	11.5

Source:  VinaSecurities

#### Macroeconomic indicators and forecast

	2008	Dec-09	2009	Y-o-Y change
<b>GDP growth</b>	6.2%		5.3%	
<b>Inflation</b>	19.9%	1.4%	6.9%	6.9%
<b>FDI (USDbn)</b>	71.7	1.8	21.5	-70.0%
<b>Imports (USDbn)</b>	80.7	7.2	68.8	-14.7%
<b>Exports* (USDbn)</b>	62.7	5.3	56.6	-9.7%
<b>Trade deficit (USDbn)</b>	18.0	1.3	12.2	-38.9%
<b>Exchange rate** (USD/VND)</b>	17,486	18,479	5.7%	n/a
<b>Bank deposit rate (VND %)</b>	7-8.5%	9.8-10.5%	n/a	n/a

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

\* Includes gold. \*\* Official rate.

**Housing demand continues to outpace supply**

**Real estate market**

The residential market continues to be the epicentre of real estate activity in Vietnam, with a significant number of both project launches and completions during Q4 2009. In Ho Chi Minh City, 11 projects were launched during the quarter that will bring 4,800 units to the market when complete. An equal number of projects were completed during the quarter, providing 3,500 units. CBRE Vietnam reports improved transparency of market data, allowing buyers to better judge the quality of products. The low to mid-tier of the market will continue to see the greatest demand. Despite the expected supply increase in Ho Chi Minh City – estimated at 60,000 new units completed by 2010 – more than 110,000 homes are required given urban population growth and rising incomes. The situation in Hanoi is similar, with prices of low and mid-range housing increasing by 15 and 11 percent, respectively, during the quarter.

**Office market blues continue; 10-15% decline expected**

The office sector continues to be soft, with rents falling slightly during the quarter and expectations of an additional 10-15 percent decline in Grade A rents in 2010. Grade A rents now average USD40/sq.m in Ho Chi Minh City and USD43/sq.m in Hanoi. While no new Grade A and B supply came onto the market in Ho Chi Minh City, the quarter saw 43,000sq.m of new office space in Hanoi with the BIDV, Vinaconex and CMC towers coming on stream. Ho Chi Minh City will see an estimated 350,000sq.m of office supply over the next 12 months. With absorption at only 50,000sq.m for Q4 2009, the new supply will almost certainly outpace take-up, and landlords will need to compete for tenants.

**CBD vs non-CBD retail rents head in opposite directions**

Over 40,000sq.m of retail space was added in Ho Chi Minh City in Q4 2009, including the Kumho Asiana Plaza in District 1. Absorption was swift and vacancy increased only slightly. Average rents in Ho Chi Minh City rose, reflecting mainly the new high-end supply at Kumho. Significant new retail supply will come onto the market in 2010 in Ho Chi Minh City (including Vincom and Bitexco towers), while the Hanoi retail market will see no new major centres, with most activity instead focused on the renovation of old shophouses into modern facilities (many featuring mid- to high-end international brands). CBD rents are likely to continue to rise in 2010, while rents outside CBD areas may fall slightly as supply increases.

**Govt predicts recovery in foreign visitors**

2009 was a difficult year for the hospitality sector in Vietnam, and around the world. The hotel business in Vietnam was heavily affected by the 11 percent drop in foreign visitors in 2009, down to 3.8 million visitors. The Vietnam National Administration of Tourism has released a positive forecast for 2010, however, with an expected 18-21 percent increase in international visitors to 4.5-4.6 million. Domestic travelers are also expected to further increase from 25 to 28 million this year. This should indicate improved fortunes for the hospitality industry and a gradual recovery in hotel operating profits.

**Real estate market indicators**

HCM City office rents, 2005-2009					
	2005	2006	2007	2008	2009
Grade A	28.6	33.0	63.0	71.4	40.4
Grade B	20.8	23.5	35.0	32.3	22.0
Grade C	16.5	17.8	22.0	25.4	18.7
<b>Average rents</b>	<b>21.7</b>	<b>23.2</b>	<b>31.0</b>	<b>33.5</b>	<b>23.1</b>

(USD/sq.m/month)

HCM City retail rents, 2005-2009		
	Department stores	Shopping centres
CBD	105.3	97.4
<b>% change q-o-q</b>	<b>0%</b>	<b>25.5%</b>
Non-CBD	55.3	40.1
<b>% change q-o-q</b>	<b>-10.4%</b>	<b>-16.5%</b>

(USD/sq.m/month)

Source: CBRE Vietnam.

## Performance update

During the quarter ending 31 December 2009, VOF's NAV declined by 4.6 percent to USD785 million, or USD2.42 per share, from USD823 million, or USD2.53 per share, at the end of September 2009. The VN Index during the quarter declined by 14.8 percent. VOF's losses occurred during November, when the government devalued the currency by five percent and enacted policies to contain credit growth, thereby bringing the 2009 equities run-up to an end.

VOF's share price meanwhile declined by 13.2 percent to USD1.51 per share at the end of December, from USD1.74 per share at the end of September. The discount to NAV at the end of December stood at 31.2 percent, up from 28.4 percent at the end of September.

## OTC market active as more listings expected

Despite the decline of the VN Index over the quarter, the OTC market was healthy and several positions saw significant gains, in part due to expectations of IPOs in the near future. VOF's holdings in Halico Vodka gained 199 percent, Khang Dien Housing 155 percent, and Quoc Cuong Gia Lai 57 percent.

Market sentiment remains positive over Vietnam's 2010 economy prospects, and VOF remains well-placed with substantial capital available for investment. At the end of December, VOF was 86.9 percent invested with USD102.84 million in cash and cash equivalents available, down from USD105.3 million at the end of September 2009. VOF's strategy for 2010 will be to continue to find exits from select real estate properties and holdings that have low liquidity, while recycling investment proceeds into new investments, with a focus on OTC and private equity deals given the expectation of a healthy market for IPOs going forward.

## Regulatory announcements and press releases

31 Dec 2009	<a href="#">Annual accounts</a>	10 Nov 2009	<a href="#">November NAV</a>
31 Dec 2009	<a href="#">Retirement of director</a>	4 Nov 2009	<a href="#">Company update</a>
10 Dec 2009	<a href="#">December NAV</a>	3 Nov 2009	<a href="#">Final results</a>
30 Nov 2009	<a href="#">Market update</a>	30 Oct 2009	<a href="#">Eximbank listing</a>
30 Nov 2009	<a href="#">Investing policy update</a>	21 Oct 2009	<a href="#">Hoan My investment</a>
30 Nov 2009	<a href="#">Director shareholding</a>	13 Oct 2009	<a href="#">October NAV</a>

## Fund summary

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

### Fund launch

30 September 2003

### Term of fund

Five years subject to shareholder vote for extension

### Fund domicile

Cayman Islands

### Legal form

Exempted company limited by shares

### Structure

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

### Auditor

Grant Thornton (Cayman Islands)

### Nominated advisor (Nomad)

Grant Thornton Corporate Finance

### Custodian

HSBC Trustee

### Lawyers

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

### Management and performance fee

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

### Investment manager

VinaCapital Investment Management Ltd

### Investment policy

Medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: Privately negotiated equity investments; Undervalued/distressed assets; Privatisation of state-owned enterprises; Real estate; and Private placements into listed and OTC-traded companies.

### Investment focus by geography

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

## Top holdings at 31 December 2009

### Top 5 listed investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 31/12/09 (USD '000)
EIB	5.0	44,002	57,192
VNM	2.6	9,006	36,582
HPG	5.0	9,900	31,365
DIG	7.5	7,457	30,492
DPM	0.2	8,675	15,973

### Top 5 OTC investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 31/12/09 (USD '000)
Quoc Cuong Gia Lai	16.3	4,918	12,250
Halico	19.1	2,076	12,085
Khang Dien Housing	15.0	4,980	10,788
An Giang Plant Protection	7.4	1,994	8,638
VinaCafe	10.3	1,461	6,886

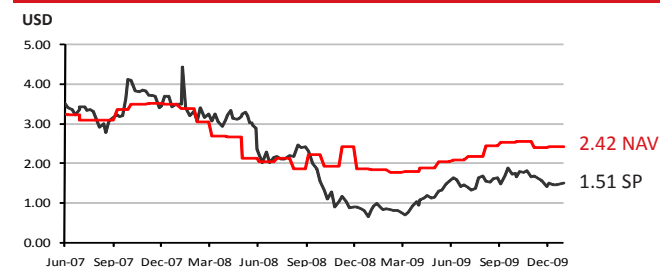
### Top 5 real estate investments

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

### Top 5 private equity investments

Name of investee	Investment type	Stake (%)
Hoan My Hospital	Healthcare	28.9
SSG - Saigon Pearl	Real estate	5.0
COFICO	Real estate	25.1
IBS	Construction materials	100.0
Pho 24	Food and beverage	32.5

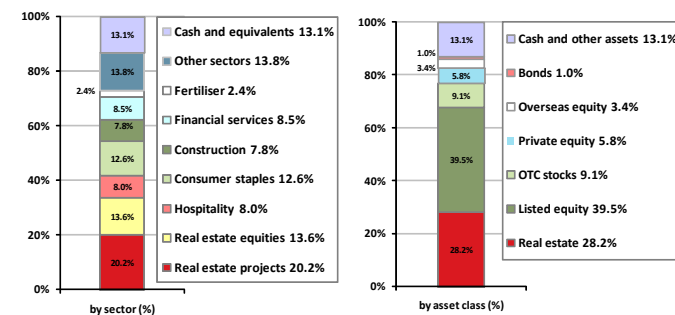
### NAV and share price performance (31 Dec 2009)



### Performance history (% change on NAV)

	2009	2008	2007	2006
Jan	-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%
<b>YTD</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>	<b>64.9%</b>
<b>VN Index</b>	<b>56.7%</b>	<b>-66.0%</b>	<b>23.3%</b>	<b>144.5%</b>

### VOF portfolio (31 Dec 2009)



**Performance update**

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 gain is due to independent revaluations carried out on two of VNL's top holdings in December, and reflects a general recovery of the economy and real estate market in Vietnam. Despite the NAV increase, VNL's share price declined 12.1 percent to USD0.80 at the end of December 2009, from USD0.91 at the end of September. In part this may reflect sentiment regarding the tighter credit environment due to higher costs of borrowing due to the increase to the base interest rate. For VNL, this should have a limited impact as the fund has already secured financing for most of its ongoing projects. This year, VNL will start construction on five residential or mixed-use residential and retail projects, allowing the fund to continue to benefit from the growing demand in Vietnam for modern housing and shopping facilities. VNL also has very limited exposure to the office sector where supply is increasing faster than demand growth, with no new office projects to launch within the next two years.

**Project updates**
**The Ocean Villas – Danang Beach Resort**

VNL has continued to record progress with residential villa sales and sale reservations at The Ocean Villas, part of the Danang Beach Resort project. At the end of December, VNL had sold or booked reservations for 97 of the 115 villas comprising the first three phases of the project. Total revenue is expected at USD73 million for the 115 villas. An additional 42 villas (phase 5) are planned to launch before the end of Q1 2010. Total revenue from all five phases is forecast at USD140 million.

**Cham Condominiums – Danang Beach Resort**

The Cham Condominium project at the Danang Beach Resort, comprising 132 units in three buildings, will see its official marketing and sales launch in H1 2010, with construction expected to commence by mid 2010. Given market demand, the remaining units are expected to sell within the next six months.

**The Azura – World Trade Center Danang**

Also in Danang, the first residential component of the WTC Danang project – a 225-unit apartment tower called The Azura – is scheduled for official launch in late March 2010. A display suite is currently under construction on the project site, together with an exclusive riverfront parkland that is being upgraded concurrently.

**Dai Phuoc Lotus township**

At the Dai Phuoc Lotus island township project near Ho Chi Minh City, the first phase of 338 villas is now under construction with the soft launch expected in April 2010. Market feedback on this unique island development has been positive. A bridge to the site is complete and other infrastructure construction is underway.

**Fund summary**

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

**Fund launch**

22 March 2006

**Term of fund**

Seven years subject to shareholder vote for extension

**Fund domicile**

Cayman Islands

**Legal form**

Exempted company limited by shares

**Structure**

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

**Auditor**

Grant Thornton (Cayman Islands)

**Nominated advisor (Nomad)**

Grant Thornton Corporate Finance

**Custodian**

HSBC Trustee

**Lawyers**

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

**Management and performance fee**

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

**Investment manager**

VinaCapital Investment Management Ltd

**Investment policy**

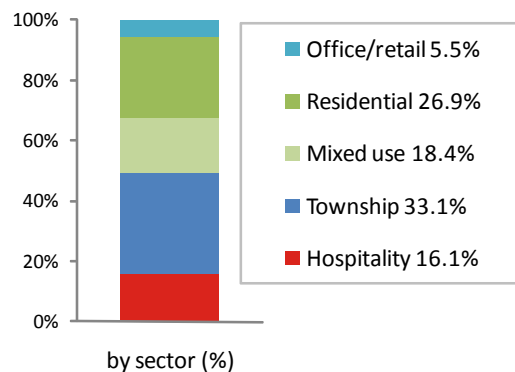
Medium to long term capital gains with some recurring income through investment in the following real estate sectors: Office; Residential; Retail; Township/Industrial (large scale); and Hospitality and Leisure.

**Investment focus by geography**

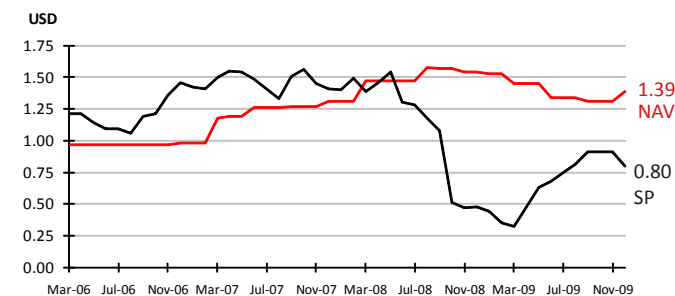
Greater Indochina comprising: Vietnam (minimum of 70 percent), Cambodia, Laos, and southern China.

**Regulatory announcements and press releases**

31 Dec 2009	<a href="#">Annual accounts</a>	27 Nov 2009	<a href="#">Holding in company</a>
21 Dec 2009	<a href="#">Final results</a>	4 Nov 2009	<a href="#">Company update</a>
30 Nov 2009	<a href="#">Market update</a>	14 Oct 2009	<a href="#">September NAV</a>
30 Nov 2009	<a href="#">Investing policy update</a>	1 Oct 2009	<a href="#">Sales update</a>

**VNL portfolio (31 December 2009)**

**Portfolio by geographic location**

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

**NAV and share price performance (31 Dec 2009)**

**Performance history (NAV % change q-o-q)**

	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



**Performance update**

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. VNI's share price meanwhile declined to USD0.33 at the end of December 2009, from USD0.37 at the end of November 2009. During the quarter, four VNI investees listed, namely Ba Ria Thermal (BTP), Tan Binh (TIX), GLT, and ITD. VNI's investment manager continues to evaluate various mechanisms to optimise the valuation and liquidity of holdings in the portfolio, including aggregating and potentially find an exit for energy and telecommunications sector holdings through listing or trade sales.

VNI in October announced the appointment of Tony Hsun as Managing Director of Infrastructure. Tony brings extensive industry experience to VNI, having carried out numerous infrastructure and energy investments around the world in a career spanning over 25 years. For the past four years, Tony was Senior VP of Business Development for Orix Corporation in Tokyo, where he provided private equity investment management services that saw him identify and evaluate over 100 infrastructure projects in China and Southeast Asia. Previously, Tony was founder and Managing Director of Asia Crosslink Pte Ltd in Singapore, a consulting firm specialising in identifying and developing infrastructure projects, and advising private equity funds primarily on power, water and mining sector acquisitions.

**Project update**
**Vietstar JSC**

VNI investee Vietstar Joint Stock Co in December officially opened the only high-tech solid waste treatment facility of its kind in Southeast Asia. The Vietstar Lemna Eco Centre, which is also the largest modern waste treatment facility in Vietnam, is located in the Cu Chi District of Ho Chi Minh City. A total of USD53 million was invested to build the facility, with funding from two European development banks. The facility will process 1,200 tonnes per day of municipal garbage and treat it with environmentally friendly technology in order to convert it into useful products.

**Fund summary**

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

**Fund launch**

5 July 2007

**Term of fund**

Ten years subject to shareholder vote for extension

**Fund domicile**

Cayman Islands

**Legal form**

Exempted company limited by shares

**Structure**

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

**Auditor**

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**Management and performance fee**

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

**Investment manager**

VinaCapital Investment Management Ltd

**Investment focus**

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

**Investment focus by geography**

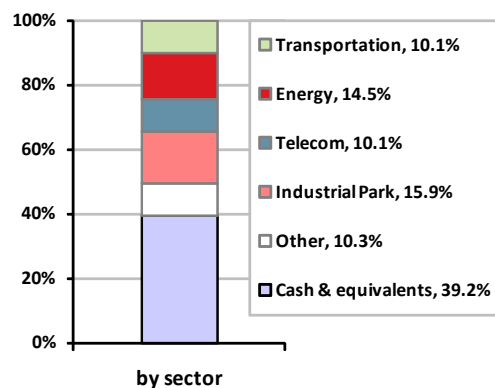
Greater Indochina comprising: Vietnam (minimum of 70 percent); Cambodia; Laos; and southern China



### Regulatory announcements

31 Dec 2009	<a href="#">Annual accounts</a>	4 Nov 2009	<a href="#">Company update</a>
21 Dec 2009	<a href="#">Final results</a>	22 Oct 2009	<a href="#">MD appointed</a>
30 Nov 2009	<a href="#">Market update</a>	14 Oct 2009	<a href="#">September NAV</a>
27 Nov 2009	<a href="#">Investing policy update</a>		

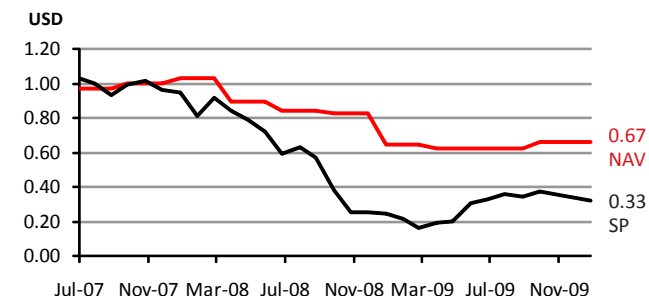
### VNI portfolio by sector (31 December 2009)



### 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%

### NAV and share price performance (31 Dec 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

At 31 Dec 2009, VOF held a 6.0% stake in PHR worth USD10.3m



### Phuoc Hoa Rubber (PHR)

Phuoc Hoa Rubber (PHR) is a former state-owned company that equitised in late 2007 and listed in June 2009. The company's core business is growing and processing rubber latex for export. PHR is the fourth largest producer in Vietnam in terms of rubber estates with 12,000ha of land, of which 500ha is replanted yearly. PHR's productivity is about two tons of rubber per hectare, high by industry standards. Annual output of latex is about 30,000 tons. To ensure future growth, PHR is developing a 9,000ha rubber plantation in Cambodia, which will begin to generate income in five years when the trees reach tapping age. In addition to its core business, PHR is also invested in residential and industrial park development and hydroelectricity.

For FY2009, PHR has targeted revenues of VND700 billion and net income of VND170 billion, or year-on-year decreases of 36 and 40 percent, respectively, due to the low price of rubber. The rebound in rubber price at the end of 2009 however should allow PHR to deliver FY2009 performance above its earlier estimates. For first nine months of 2009, PHR reported revenue of VND634 billion and net profit of VND141 billion, 90 and 83 percent of the yearly target, respectively. NPAT for 2009 is expected at VND250bn. After listing in June, PHR's share price increased over 100 percent. It is currently trading at VND39,000 per share, equivalent to a 2009 P/E of 12.0x and P/B of 3.3x.

### Kinh Do Corp (KDC)

Kinh Do Corporation, a subsidiary of Kinh Do Group, is the leading confectionary manufacturer in Vietnam. The company has grown from a small family business with less than 100 employees to one of the top confectionary producers in Vietnam, with a wide range of products that boast dominant market shares, including crackers (45 percent market share), cookies (52 percent share), and moon cakes (70 percent share). With a wide distribution network, Kinh Do products are found in shops throughout Vietnam as well as exported to over 30 countries around the world.

The company will expand to other business lines including real estate and financial investment. KDC currently invested in two major real estate projects, including a residential project in Hiep Binh Phuoc Ward (its former headquarters) and a 45 percent stake in an office building in central Ho Chi Minh City, billed as the tallest tower in Vietnam. KDC expects net income to grow tremendously once the real estate projects start operation.

NPAT in 2008 was negative due to a large provision on equity investment. In 2009, part of this provision was reinstated when the stock market recovered. NPAT for 2009 was VND550 billion. At the end of December 2009, KDC shares traded at VND60,500, representing a 2009 P/E of 8.7x and P/B of 1.9x.

At 31 Dec 2009, VOF held a 5.4% stake in KDC worth USD14.2m



### Financial highlights

Profit and loss (VND bn)	FY07A	FY08A	FY09E
Revenue	1,097	1,092	1,057
Gross profit	401	355	260
Gross margin	37	32	25
Net income	294	284	260
Net margin	27	26	24
EPS	6,679	3,496	3,198
DPS	n.a.	2,200	1,200
Balance Sheet (VND bn)	FY07A	FY08A	FY09E
Total assets	2,759	1,824	1,730
Shareholders' equity	1,110	879	957
ROE (%)	27	32	27
Book value per share	16,881	22,432	21,275
Valuations (VND bn)	FY07A	FY08A	FY09E
PER (x)	10.9	11.2	12.0
P/B (x)	2.9	3.6	3.3
Dividend yield (%)	n.a.	6%	3%

### Financial highlights

Profit and loss (VND bn)	FY07A	FY08A	FY09E
Revenue	1,238	1,466	1,500
Gross profit	322	370	405
Gross margin	26.0%	25.2%	27.0%
Net income	224	-85	550
Net margin	18.1%	n.a.	36.6%
EPS	6,054	n.a.	6,918
DPS	1,800	1,800	1,800
Balance Sheet (VND bn)	FY07A	FY08A	FY09E
Total assets	3,067	2,983	3,622
Shareholders' equity	2,453	2,076	2,498
ROE (%)	24.8%	n.a.	22.0%
Book value per share	52,190	52,333	31,620
Valuations (VND bn)	FY07A	FY08A	FY09E
PER (x)	10.0x	n.a.	8.7x
P/B (x)	1.2x	n.a.	1.9x
Dividend yield (%)	3.0%	3.0%	3.0%

At 31 Dec 2009, VOF held a 7.4% stake in An Giang worth USD8.6m



### An Giang Plant Protection – OTC traded

Founded in 1993 as a state-owned enterprise, An Giang Plant Protection is currently the market leader in pesticide distribution and manufacture. Distributed products are primarily imported from Syngenta, the world's top agricultural input producer. The company boasts 900 employees, two pesticide factories, five seed factories, a laboratory and a packaging factory. Its products are distributed nationwide via 23 branches, almost 500 wholesalers and 4,500 retailers. The company benefits from Vietnam's strong agricultural sector and significantly low penetration of modern crop protection chemicals, compared to regional agriproduct producing countries.

An Giang has a healthy balance sheet and solid financial performance with average turnover and net profit growth of 26 and 12 percent, respectively, over FY06-08. Continuing its performance, 2009 expects to see an impressive 28 and 58 percent sales and NPAT year-on-year growth, respectively, compared to 31 and 32 percent in 2008. An Giang forecasts 10-15 percent growth in sales and earnings in 2010. The company plans to expand its distribution network to further increase market share, and increase production capacity, particularly seed production. The 2009 AGM approved a 10 percent cash dividend and 2:1 bonus share issuance. An Giang shares currently trade at VND 120,000, equivalent to a 2009 P/E of 9.4x and P/B of 4.3x. Net profit for 2010 is forecast to increase 15-20 percent.

At 31 Dec 2009, VOF held a 16.3% stake in QCGL worth USD12.3m



### Quoc Cuong Gia Lai – OTC traded

Quoc Cuong Gia Lai (QCGL) was established in 1994 as a private company. It plans to list on the Ho Chi Minh Stock Exchange in 2010. The company's core business lines are residential development, rubber production and hydropower development. QCGL's residential properties address the low- to mid-range of the market, expected to be very profitable for the next several years due to pent up demand.

QCGL owns many properties in central Ho Chi Minh City and has a large land bank in surrounding districts, with total clear land area of 76ha available for sale or residential development. Six major apartment and office projects are under development, which will be the key earnings driver for next five years. In addition, the company has a 3,000ha rubber plantation in Gia Lai Province, expected to generate income after 2012.

QCGL has targeted revenue of VND500 billion and net income of VND175 billion for FY 2009, which would be year-on-year increases of 6.9x and 29.2x, respectively, due to several apartment buildings that came online during the year. For the first nine months of 2009, QCGL reported revenue of VND300 billion and net profit of VND 125 billion, 60 and 71 percent of the 2009 target. The company expects to list in February 2010. Currently, QCGL shares trade on the OTC market at VND50,000, equivalent to a 2009 P/E of 9.5x.

### Financial highlights

Profit and loss (VND bn)	FY07A	FY08A	FY09E
Revenue	1,798	2,353	3,028
Gross profit	450	579	772
Gross margin	25.0%	24.6%	25.5%
Net income	115	146	230
Net margin	6.4%	6.2%	7.6%
EPS	6,379	8,112	12,777
DPS	2,200	2,400	3000
Balance sheet (VND bn)	FY07A	FY08A	FY09E
Total assets	954	1,050	1,508
Shareholders' equity	364	440	502
ROE (%)	31.6%	33.2%	45.8%
Book value per share (VND)	20,219	24,491	27,936
Valuations (VND bn)	FY07A	FY08A	FY09E
PER (x)	18.7x	14.8x	9.4x
P/B (x)	5.9x	4.9x	4.3x
Dividend yield (%)	1.8%	2.0%	2.5%

### Financial highlights

Profit and loss (VND bn)	FY07A	FY08A	FY09E
Revenue	13	72	500
Gross profit	1	34	200
Gross margin	8%	47%	40%
Net income	129	6	175
Net margin	972%	8%	35%
EPS	4,979	210	5,271
DPS	n.a.	n.a.	n.a.
Balance sheet (VND bn)	FY07A	FY08A	FY09E
Total assets	1,584	2,124	2,299
Shareholders' equity	395	617	792
ROE (%)	33%	1%	22%
Book value per share (VND)	15,228	18,580	23,855
Valuations (VND bn)	FY07A	FY08A	FY09E
PER (x)	10.0	238.0	9.5
P/B (x)	3.2	2.7	2.1
Dividend yield (%)	n.a.	n.a.	n.a.

**Media highlights****Banks to close gold floors prematurely**

28 January 2010 – Intellasia

There are two months left until gold floors will be forced to close operation, but many of them now plan to close before the coming Lunar New Year (Tet) to avoid the potential risks for investors. [Read more.](#)

**Overseas bond issue raises USD1bn at 6.95% yield**

27 January 2010 – VNS

An overseas offer of Government bonds has raised USD1 billion at a yield of 6.95 percent per year, with the bonds to be listed on the Singapore Stock Exchange, the Ministry of Finance has announced. [Read more.](#)

**Market capitalisation reaches 38% of GDP in 2009**

26 January 2010 – Intellasia

Stock market capitalisation reached 620 trillion dong (USD33 billion) at the end of last year, equaling nearly 38 percent of GDP, announced State Securities Commission vice chair Nguyen Doan Hung at a conference in Hanoi last Friday. [Read more.](#)

**Vietnam's economic growth may be over 6pct, Ernst&Young predicts**

21 January – Lao Dong

Ernst&Young Vietnam Co held a press conference on January 19, 2010 to announce research on lessons after the economic crisis. Jim Hassett, president of Ernst&Young Co in Asia-Pacific region said in the context of global economic crisis, the fact that Vietnam gained high economic growth was considered significant and positive. [Read more.](#)

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## VinaCapital Group

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

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

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