

Capital markets update

VN Index returns 56.8% for 2009

Vietnamese equity markets closed down 1.9 percent in December 2009, but for the year the VN Index posted a strong return of 56.8 percent. From the low in February 2009, the VN Index doubled, returning 110.8 percent over 10 months. December's performance was also markedly better than the 14 percent decline in November, when investors reacted strongly to policy moves to tame credit growth and address rising economic concerns on the trade and budget deficit. The decline continued into December before a value-driven rally over the last half of the month. Despite the late month rally, however, the VN Index underperformed compared to regional and emerging markets worldwide, with the MSCI Emerging Markets and Asia ex-Japan indices returning 3.8 and 4.3 percent on the month, respectively.

Five-year bonds at 11.7%

In fixed income, the yield curve remains fairly flat with the key three- and five-year durations yielding 11.7 percent. Overall, with tight liquidity conditions prevailing in Vietnam, and with the seasonal peak in inflation that occurs over the Christmas and the Tet Lunar New Year periods, it will not be surprising if yields continue to climb from current levels.

Gold trading floors closed

In the short term, the market is likely to remain within its current range. The government has ordered all gold trading floors to close and all loans supporting outstanding gold positions repaid by the end of March 2010. This will influence domestic asset allocation and may result in a degree of market volatility.

Cautious optimism for 2010

For 2010, most analysts remain cautiously optimistic on the macro economic outlook. Vietnam's exports are expected to continue to recover, helped by an attractive cost base. In asset markets, opportunities will likely remain in fixed income for the short term, as the state accelerates domestic and international borrowings to fund next year's budget (against a backdrop of double-digit bond yields and single-digit inflation forecasts). In equity markets, forward valuations are still attractive, with forward market PE under 13x and forecast 2011 PEs of approximately 11x in an environment of improving global economic growth and trade.

Performance summary

Most recent NAV:	VOF	VNL	VNI
	(31 Dec 09)	(31 Dec 09)	(31 Dec 09)
NAV per share (USD) ¹	2.42	1.39	0.67
Return (%) ²	(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	43.3	-20.6
	(30 Sep 03)	(22 Mar 06)	(5 Jul 07)
Issued shares ³	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

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

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

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

VN Index	31 Dec 09	31 Dec 08	52 wk low	52 wk high
Close	494.8	315.6	234.7	633.2
Change (%)	(1.9)	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

GDP growth at 5.3% for 2009

Economy

December brought 2009 to a close on a moderately optimistic note. GDP growth for Q4 reached 6.9 percent, bringing full year GDP growth to 5.3 percent. GDP growth rose in each quarter of the year, and beat most forecasts including the IMF and ADB estimates.

The main driver of GDP growth continued to be domestic demand. Manufacturing and construction recorded growth of 5.5 percent, and retail sales grew at 18.6 percent year-on-year. This pace should slow going forward, due to the tightening measures announced on 25 November, particularly the 1 percent increase in the base rate to 8 percent.

Credit growth in 2009, inflation in 2010

In December, the CPI rose 1.4 percent year-on-year, continuing the upward trend that began in August. The increase was due mainly to higher prices of food and fuel, which together account for over half the CPI basket. Full year inflation was 6.8 percent, below the 7 percent target set by the government. Going forward, inflation is expected to gather speed, reflecting the impact of high credit growth (38 percent) already built into the economy in 2009. However, in the medium term, inflation will likely moderate as the tightening measures on 25 November act to slow down growth.

VND stable after policy changes

The VND has been stable following the 5.4 percent devaluation in November. Throughout December the interbank official rate was VND18,479 per USD and the open market rate hovered around VND19,300. In order to improve foreign exchange liquidity, several large state-owned enterprises were ordered to sell their USD holdings to banks, who could then allocate these reserves to businesses with legitimate need to make foreign payments.

Trade and budget deficits expected to moderate

The trade deficit in December narrowed to USD1.3 billion, from USD1.9 billion in November, bringing the full year deficit to USD12 billion, a considerable improvement from USD18 billion in 2008. Vietnam's external position is not as dire as speculated in the financial media in late 2009, and going forward demand from neighbouring Asian countries is expected to improve faster than Western nations, which should help strengthen Vietnam's position.

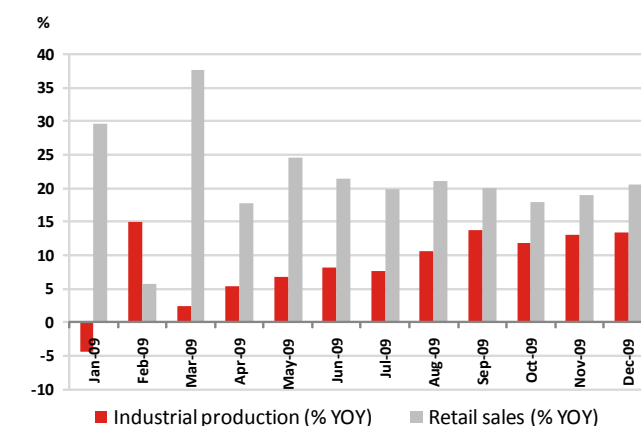
The budget deficit for 2009 was 7 percent of GDP, versus 4.1 percent in 2008. The more substantial deficit was not a surprise given the cost of the stimulus package (tax exemptions, tax deferrals, and public investments). The deficit is expected to lessen as public spending is reduced as part of a general fiscal and monetary tightening in 2010.

Macroeconomic indicators and forecast				
	2008	Dec-09	2009	Y-o-Y change
GDP growth	6.2%		5.3%	
Inflation	19.9%	1.4%	6.8%	6.8%
FDI (USDbn)	71.7	1.8	21.5	-70.0%
Imports (USDbn)	80.7	7.2	68.8	-14.7%
Exports* (USDbn)	62.7	5.3	56.6	-9.7%
Trade deficit (USDbn)	18.0	1.3	12.2	-38.9%
Exchange rate** (USD/VND)	17,486	18,479	5.7%	n/a
Bank deposit rate (VND %)	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.

Industrial production and retail sales YOY, 2009



Portfolio developments

VOF's NAV at the end of December 2009 increased 0.8 percent to USD2.42 per share, from USD2.40 per share at the end of November 2009. The slight gain was due to a 3.7 percent appreciation in VOF's direct real estate investments. The capital markets portfolio during December declined 0.4 percent, compared to a VN Index drop of 1.9 percent. The biggest gainer over the month was OTC holding Halico Vodka, up 33.2 percent on continued strong performance in 2009 (see *September 2009 VCIM quarterly report for a Halico company update*).

Regulatory announcements

On 31 December, VOF's annual accounts were posted on the website and sent to shareholders.

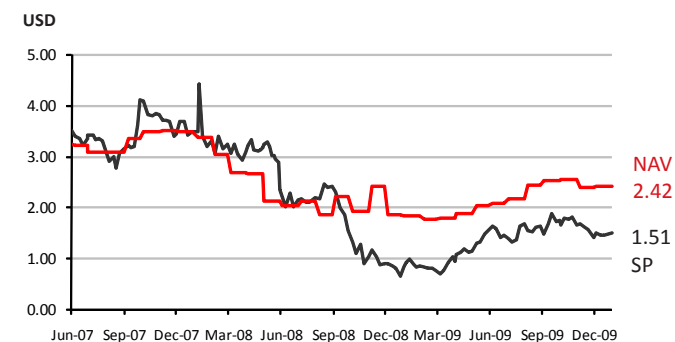
On 21 December, VOF's annual audited financial statements were released. Details of both announcements are available at www.vinacapital.com/vof.

31 December 2009

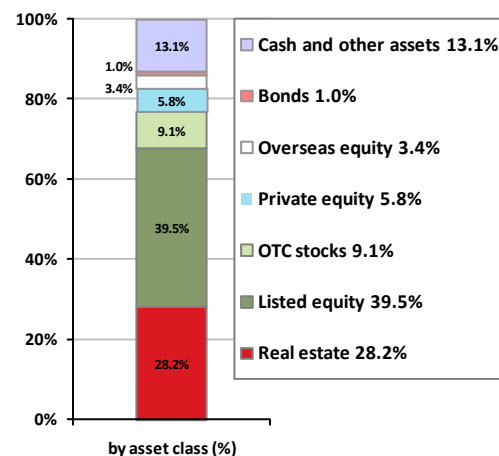
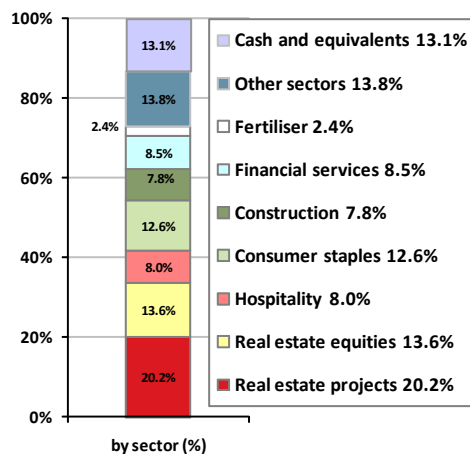
NAV **2.42** per share (↑ 0.8%)

Total NAV: USD785 million

NAV and share price performance (31 Dec 2009)



VOF portfolio (31 December 2009)



Major holdings (listed and OTC)

Type	Sector	% NAV	Manager's comment
EIB	Listed equity	7.3	One of Vietnam's top joint stock banks.
VNM	Listed equity	4.7	Dairy firm with dominant market share.
HPG	Listed equity	4.0	Major steel manufacturer.
DIG	Listed equity	3.9	Residential and industrial property.
DPM	Listed equity	2.0	Top fertiliser firm, member of Petro VN.

Fund background

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

VOF targets medium to long term capital gains with some recurring income and short term profit taking. Primary investment focus areas are: privately negotiated equity investments; undervalued/distressed assets; privatisation of state-owned enterprises; real estate; and private placements into listed and OTC-traded companies.

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

Performance history (% change on NAV)

	2009	2008	2007	2006	2005
Jan	-1.3%	-2.9%	14.6%	3.9%	0.0%
Feb	-3.7%	-10.2%	8.3%	6.3%	4.4%
Mar	1.7%	-11.8%	-0.6%	8.8%	0.8%
Apr	4.4%	-0.8%	-1.3%	7.6%	1.7%
May	9.1%	-19.5%	5.1%	-1.0%	4.1%
Jun	2.2%	-4.7%	-0.8%	1.5%	0.0%
Jul	3.8%	5.7%	-3.8%	-6.5%	0.0%
Aug	12.2%	9.8%	0.0%	6.4%	3.9%
Sep	3.8%	-6.7%	8.1%	3.0%	4.5%
Oct	1.2%	-12.4%	4.2%	1.0%	0.7%
Nov	-6.5%	-1.9%	0.6%	13.5%	5.7%
Dec	0.8%	-2.1%	-0.6%	8.1%	4.1%
YTD	29.7%	-46.6%	37.4%	64.9%	33.9%
VN Index	56.7%	-66.0%	23.3%	144.5%	28.5%

Portfolio developments

VNL's NAV increased 6.1 percent to USD1.39 per share at the end of December 2009, from USD1.31 per share at the end of September 2009. The 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.

Residential project sales and marketing update

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 official launch expected in April 2010. The Cham Condominium project at the Danang Beach Resort, comprising 132 units in three buildings, has seen approximately half of the first building reserved for sale, with construction expected to commence in January 2010. Given market demand, the remaining units are expected to sell within the next six months. 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. To date, sales reservations have been secured for over 10 percent of the units. A display suite is currently under construction on the project site, together with an exclusive riverfront parkland that is being upgraded concurrently.

Regulatory announcements

On 31 December, VNL's annual accounts were posted on the website and sent to shareholders.

On 21 December, VNL's annual audited financial statements were released. Details of both announcements are available at www.vinacapital.com/vnl.

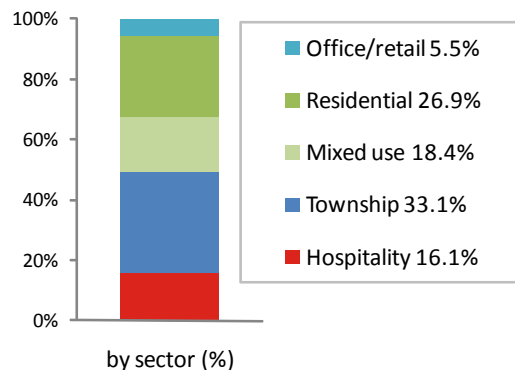
Fund background

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

VNL targets medium to long term capital gains with some recurring income through investment in the following real estate sectors: office; residential; retail; township/industrial (large scale); and hospitality and leisure.

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

VNL portfolio (31 December 2009)



Portfolio by geographic location

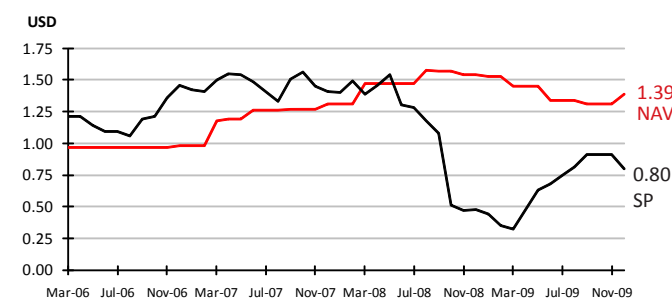
Hanoi	14%
Central provinces	24%
Ho Chi Minh City region	62%

31 December 2009

NAV **1.39** per share (↑ 6.1%)

Total NAV: USD694 million

NAV and share price performance (31 Dec 2009)



Performance history (% change on NAV per share)

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

Major holdings

Project	Type	Status
Aqua City (Long Hung)	Residential	Planning underway
Century 21	Mixed-use	Under construction
Danang Beach Resort	Mixed-use	Sales underway
Dai Phuoc Lotus	Mixed-use	Under construction
Fideco Binh Duong	Township	Investment licence
Hanoi Golden Westlake	Residential	Sales underway
Pavilion Square	Residential	Investment licence
VinaSquare Tower	Mixed-use	Investment licence
Vinh Thai Nha Trang	Township	Investment licence
WTC Danang	Mixed-use	Under construction

Portfolio developments

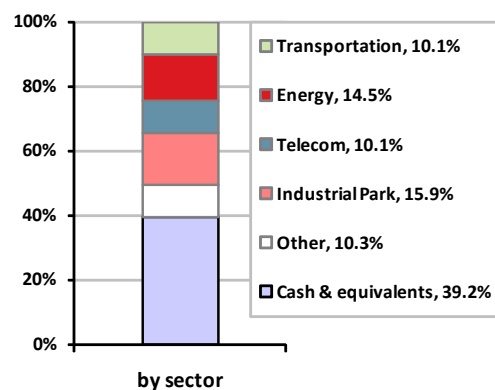
VNI's NAV at the end of December 2009 was USD0.67 per share, up 0.8 percent from USD0.66 per share at the end of September 2009. The gain is due partly to gains recorded via the listing of holdings GLT and BTP, and more active management of the listed portfolio as a whole given the end of several lock-up periods. The VN Index dropped 14.7 percent over the same period. VNI's share price meanwhile declined to USD0.33 at the end of December 2009, from USD0.37 at the end of November 2009.

Regulatory announcements

On 31 December, VNI's annual accounts were posted on the website and sent to shareholders.

On 21 December, VNI's annual audited financial statements were released. Details of both announcements are available at www.vinacapital.com/vni.

VNI portfolio by sector (31 December 2009)



Portfolio by Asset Class

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

Fund background

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

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

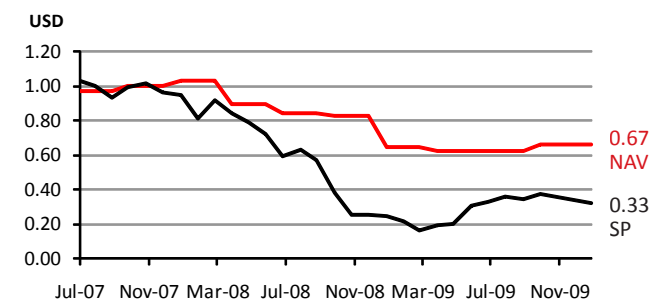
Download the VNI Factsheet at www.vinacapital.com/vni

31 December 2009

NAV **0.67** per share (↑ 0.8%)

Total NAV: USD267 million

NAV and share price performance (31 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

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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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