

VinaCapital Funds 30 September 2010

# Quarterly Report

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## 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 30 September 2010.

VinaCapital held its 2010 Investor Conference in Ho Chi Minh City on 28-29 October, offering almost 100 investors the opportunity to discuss in detail our funds' performance and investment prospects with our managing directors and other leading industry experts, including keynote speaker Dr Jim Walker of Asianomics. We have now uploaded the conference presentations to our website, at [www.vinacapital.com](http://www.vinacapital.com).

During the quarter ending 30 September 2010, VOF's NAV declined 3.4 percent to USD769 million, or USD2.37 per share, from USD796 million, or USD2.45 per share, at the end of June 2010 (unaudited). The decline was due to the performance of the capital markets holdings, with the VN Index down 14.4 percent over the quarter. The decline in capital markets holdings during the third quarter, however, comes after a sustained run that saw VOF's listed equities gain 26.4 percent over the financial year ending 30 June 2010, compared to 5.8 percent for the VN Index in USD terms.

VNL's NAV decreased to USD1.41 per share at the end of September 2010, from USD1.44 per share at the end of June 2010 (unaudited). The quarter saw strong growth in residential sales, with a total of 173 reservations and sales contracts recorded at five projects, worth a total of USD59 million, comprising USD26 million in reservations and USD33 million in sales contracts. During Q2 2010, sales and reservations totaled USD29 million.

VNI's NAV fell to USD0.59 per share at the end of September 2010, from USD0.64 per share at the end of June 2010 (unaudited). The decline in NAV is due to the performance of the capital markets component of the portfolio. As the company

updates included in this report show, however, corporate earnings growth remains strong, even as the stock market continues to lag. With Vietnam's equities continuing to trade at a forward PE under 10x, we view the current time as an excellent investment window.

During the Investor Conference, our fund managers made important announcements regarding the strategies they will employ to reduce the share price discounts and strengthen the performance of their funds. VOF and VNL announced distribution policies that will see them hold semi-annual tender offers for the repurchase of shares at net asset value. VNI already had such a policy in place, and intends to initiate its first distribution in late 2011. We believe a distribution via tender will be an effective means of reducing the trading discounts, while leaving our funds in a strong position to continue making new investments and growing their asset bases.

The funds' annual financial results will be published within the month of November. We look forward to announcing our results, and as always will strive to continue to improve our reporting and communications with investors. I would like to inform our investors in Europe and America that I will be traveling to the following cities in November:

15 Nov - London                      22 Nov - Boston  
 16 Nov - Brussels                    23 Nov - New York  
 17 Nov - Frankfurt  
 18 Nov - Geneva  
 19 Nov - Zurich

If you would like to attend one of the fund update meetings in these cities, please email [ir@vinacapital.com](mailto:ir@vinacapital.com) with your request.

Very truly yours,  
 Don Lam  
 CEO  
 VinaCapital Group

## Performance summary

Most recent NAV:	VOF	VNL	VNI
	(30 Sep 10)	(30 Sep 10)	(30 Sep 10)
NAV per share (USD) <sup>1</sup>	<b>2.37</b>	<b>1.41</b>	<b>0.59</b>
Return (%) <sup>2</sup>	(from Aug 10)	(from Jun 10)	(from Aug 10)
Previous NAV	1.7	-2.1	-1.7
YTD	-2.1	6.0	-11.0
Since inception	144.3 (30 Sep 03)	45.4 (22 Mar 06)	-29.4 (5 Jul 07)
Issued shares <sup>3</sup>	324,610,259	499,967,622	402,100,000
Total NAV (USDm)	769	705	238
Market cap (USDm)	508	405	142
Reuters	VOF.L	VNLL	VNLI.L
Bloomberg	VOF LN	VNL LN	VNI LN
ISIN	KYG9361Y1026	KYG936361016	KYG936121022

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

**VinaCapital will be presenting at the LCF Edmond de Rothschild Securities Emerging Markets Funds Conference in London, March 2011.**

**Please contact [funds@lcf.co.uk](mailto:funds@lcf.co.uk) for details.**

## Market update

### Capital markets and economy

The Vietnam Index return was -9.8 percent over Q3 2010, compared to returns of 19.1 and 20.6 percent, respectively, for the MSCI Asia ex-Japan and Emerging Markets indices. Vietnam's notable underperformance was due to a combination of short-term factors that left domestic retail investors on the sidelines, awaiting more positive news.

Among the worries, Vietnam's relatively weak external position and lack of recent visibility on foreign reserves have heightened concern over further depreciation of the VND, which has seen five instances of official devaluations over the past two years. Tight liquidity over the first nine months of 2010 has also had an impact on the market. Finally, Vietnam's business community is traditionally inactive in months leading up to national elections and the Party Congress (scheduled for January 2011) as people wait to see how the new administration will take shape.

## Valuations remain at discount to region

As a result of the VN Index fall, valuations in Vietnam are much lower than regional peers. Vietnam's forward PE of 9.8x compares to PEs in the high-teens for China, Indonesia, Malaysia and the Philippines. Overseas institutional buyers have been picking up Vietnam's bargain stocks of late, with institutional net buying up 9.4x in 2010 YTD, compared to the same period in 2009. Foreign ownership limits are a restriction on further overseas investment, given the shallow depth of Vietnam's blue chip equities.

GDP in the third quarter grew 7.2 percent, bringing growth for the first nine months of 2010 to slightly over 6.5 percent. With growth normally strongest in the fourth quarter, full-year GDP growth of 6.7-6.8 percent is likely.

## Gold price increasing

The gold price increased rapidly shortly after the end of the quarter, partly due to the rise in international price, and also due to domestic hoarding of gold for re-export. In September, gold exports reached USD800 million. There are signs of a gold shortage, but the State Bank has not authorised any imports, as they view the price increase as speculation and not a legitimate indicator of higher real demand.

CPI inflation was 1.3 percent month-on-month in September, with several factors involved in the increase, including imported inflation following the 2.1 percent devaluation of the VND, an increase in credit growth in September (despite high loan rates), and the higher price of gold. The official inflation target of 8.0 percent for the full-year is likely to be exceeded, although any inflation result in single digits is still a good result given the economic environment.

Market confidence is currently an important factor in Vietnam's short-term prospects, as pressure on the VND has re-emerged only one month after the most recent devaluation. Another devaluation of two-to-three percent cannot be ruled out, and there is speculation the State Bank may adopt a more flexible approach to the exchange rate, with a crawling peg instead of a fixed official rate.

VN Index	30 Sep 10	31 Dec 09	52 wk low	52 wk high
Close	454.5	494.8	421.3	633.2
	<i>M-o-M</i>	<i>YTD</i>		
Change (%)	(0.1)	(8.2)	7.9	(28.2)
Trailing PER (x)	10.5	Est. PER 2010 (x)	9.8	
Trailing P/B (x)	1.9			

Govt bonds	1 yr	3 yr	5 yr	10 yr
Yield curve (%)	9.5	10.1	10.5	11.2

Source:  VinaSecurities

Macroeconomic indicators and forecast				
	2009	Sep-10	YTD	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	5.3%	7.2%	6.5%	
<b>Inflation</b>	6.9%	1.3%	6.5%	8.9%
<b>FDI (USDbn)</b>	21.5	0.6	12.2	-12.7%
<b>Imports (USDbn)</b>	68.8	7.2	60.1	22.7%
<b>Exports<sup>2</sup> (USDbn)</b>	56.6	6.1	51.5	23.2%
<b>Trade deficit (USDbn)</b>	12.2	1.1	8.6	19.8%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	18,479	19,500	5.5%	5.5%
<b>Bank deposit rate (VND %)</b>	9.8-10.5%	11.0-11.2%	n/a	n/a

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

<sup>1</sup> Annualised rate. <sup>2</sup> Includes gold. <sup>3</sup> State Bank central rate.

## New decree improves residential market transparency

### Real estate market

The third quarter saw both inquiries and closed deals increase on residential housing trading floors in Ho Chi Minh City, with the affordable and mid-range market once again seeing the most activity. Asking prices in the secondary market increased slightly, up one percent quarter-on-quarter for mid-range dwellings.

Developers of some high-end projects began quoting asking prices in VND instead of USD, a trend that may continue in order to ease buyer concerns over exchange rate fluctuations. Decree 71 came into force, capping the proportion of units that can be sold via capital contribution contracts at 20 percent of any development. This is expected to benefit the market by enhancing transparency, limiting or removing developers with low financial capabilities, and lessening the threat of speculative price bubbles.

## Retail rents continue to rise for shophouses

In retail, the Hanoi market was most active, with several new modern shopping facilities opening, including PICO Mall and Hang Da Market – the first combined indoor shopping centre and market in Hanoi's CBD. In Ho Chi Minh City, shopping centre vacancy was lower than in Q2 2010 despite LotteMart adding an additional 24,000 sm GFA of retail space to the market. CBD rents saw a 7.1 percent quarter-on-quarter increase, while non-CBD rents were flat. Lease terms for CBD shophouses have been shortened from three years to a maximum of two years. Asking rents are now considered high for established regional brands looking to enter the market, a barrier for market entry. Prices should ease with the renovation of Zen Plaza (District 1) and Saigon Paragon (District 7) coming under Parkson management. Other new shopping centres nearing completion include Bitexco Financial Tower (District 1), Thien Son Plaza (District 7) and The Crescent (District 7).

## Office absorption up, but over-supply keeps rents down

Net absorption of office space has increased steadily each successive quarter into the year, showing a short term stabilisation in the market in terms of supply and demand. Long term, however, there is still too much supply coming on-line in the next three years for prices to rise by any significant level. In Ho Chi Minh City, the quarter saw inquiries increase by 27.9 percent quarter-on-quarter, with overall vacancy dropping to 13 percent. Most of the net absorption of office space in Ho Chi Minh City was in Grade C space occupied by SMEs and domestic companies. Grade A rents saw a further decline as landlords continued to compete to attract tenants. Shortly after the quarter ended, the tallest office tower in Vietnam, the 68-storey Bitexco Financial Tower, opened in Ho Chi Minh City.

## Govt support helps boost tourism numbers

Hanoi's tourism numbers were strong during the quarter due to the city's 1,000th anniversary celebrations. Hanoi has received 6.6 million domestic and international visitor arrivals in the first nine months of the year, 14.5 percent more than the same period in 2009. Room rates were stable in Hanoi, but fell in Ho Chi Minh City across all grades. Rates for three-star hotels fell 31.4 percent in response to the launch of new supply, while four- and five-star rates fell 5.6 and 9.6 percent year-on-year, respectively. The continuing economic recovery coupled with travel incentives, such as visa fee exemptions, are boosting tourism numbers. More tourists are arriving compared to last year, even in the low season from March to August.

## Real estate market indicators

### HCM City apartment supply, 2007-2014F



### HCM City apartment market, Q3 2010

	Luxury	High-end	Mid-end	Affordable
Total supply (units)	405	12,086	13,407	7,070
New units complete	0	420	582	850
Avr price (USD/sq.m)	4,401	1,898	992	726
% change q-o-q	0.0	0.2	-1.0	0.3
% change y-o-y	0.7	1.1	2.3	2.8

Source: CBRE Vietnam.

### Vietnam tourist visitors, 2010

Foreign visitors 2010 to August:	3.4 million
Compared to 2009 same period:	+35.2%
Expected visitors for 2010 full year:	4.2 million

Source: Vietnam Tourism.

### Performance update

During the quarter ending 30 September 2010, VOF's NAV declined 3.4 percent to USD769 million, or USD2.37 per share, from USD796 million, or USD2.45 per share, at the end of June 2010 (unaudited). The decline was due to the performance of the capital markets holdings, with the VN Index down 14.4 percent (or 9.8 percent with dividends included) over the quarter. VOF's share price at the end of September was USD1.57, compared to USD1.40 at the end of June. At the end of September, VOF was 93.3 percent invested with USD51.5 million in cash and equivalents available for investment, down from USD83.6 million at the end of June 2010.

### Strong company earnings bode well for VN market

The decline in capital markets holdings during the third quarter comes after a sustained run that saw VOF's listed equities gain 26.4 percent over the financial year ending 30 June 2010. Corporate earnings have remained strong, even during the recent stock market downturn. In August, top five equity holding Quoc Cuong Gia Lai (QCG) listed its entire charter capital of 60.2 million shares on the Ho Chi Minh Stock Exchange. QCG targets net profits of VND360 billion (USD18.9 million) on revenues of VND1.1 trillion (USD56.7 million) this year, increases of 187.8 and 283.5 percent year-on-year, respectively. Also in August, VOF invested a further USD9.4 million in An Giang Plant Protection to raise its stake in this sector-leading company.

### Details of tender offer policy announced

#### Distribution policy

Shortly after the quarter ended, the VOF Board of Directors resolved to distribute 4 percent of NAV per year in two payments, following the finalisation of the half-year (interim) and annual financial statements. The Board aims to make the first distribution in May 2011 after the finalisation of the interim financial statements, expected in March. Distributions will be made in the form of a tender for the repurchase of shares at net asset value (NAV).

In addition to the distribution, the Board also has also decided to: 1) convene an EGM to seek shareholders' approval to institute a share buyback mechanism within the Company's Articles of Association, and 2) explore the possibility of moving the Company's primary listing to another stock exchange with the view of broadening the Company's investor base.

### Regulatory announcements and press releases

10 Sep 2010	<a href="#">August NAV</a>	11 Aug 2010	<a href="#">July NAV</a>
3 Sep 2010	<a href="#">Director shareholding</a>	28 Jul 2010	<a href="#">Residential sales update</a>
31 Aug 2010	<a href="#">Notice of investor call</a>	19 Jul 2010	<a href="#">June NAV</a>
12 Aug 2010	<a href="#">Investee listing</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 and Administrator

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 30 Sep 2010

### Top 5 listed investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 30/09/10 (USD '000)
VNM	2.6	9,029	41,001
EIB	5.0	44,002	40,412
HPG	4.8	14,078	27,808
QCG	11.4	13,645	21,702
KDH	15.2	6,539	15,970

### Top 5 OTC investments

Name of investee	Stake (%)	Number of shares '000	Carrying value 30/09/10 (USD '000)
Halico	22.6	4,529	20,913
An Giang Plant Protection	17.4	4,694	20,423
Prime Group	7.1	7,091	14,692
VinaCafe	10.9	1,933	7,827
Nam Viet Oil	11.6	2,322	6,116

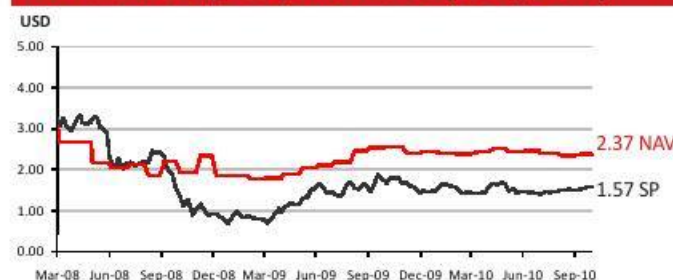
### Top 5 real estate investments

Project	Investment type	Stake (%)
Sofitel Metropole	Hotel	50.0
Dai Phuoc Lotus	Township	18.0
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	24.6
IBS	Construction materials	100.0
Pho 24	Food and beverage	32.5

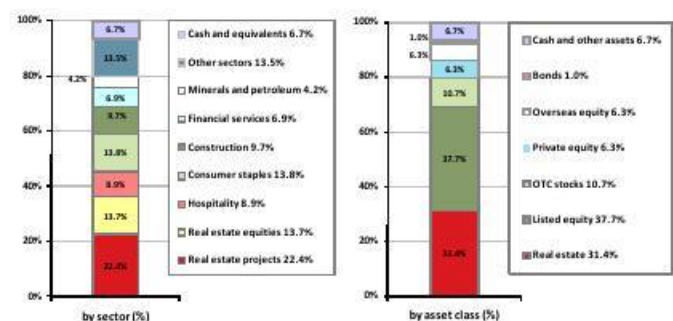
### NAV and share price performance (30 Sep 2010)



### Performance history (% change on NAV)

	2010	2009	2008	2007	2006
Jan	-1.1%	-1.3%	-2.9%	14.6%	3.9%
Feb	-0.3%	-3.7%	-10.2%	8.3%	6.3%
Mar	1.9%	1.7%	-11.8%	-0.6%	8.8%
Apr	3.0%	4.4%	-0.8%	-1.3%	7.6%
May	-2.5%	9.1%	-19.5%	5.1%	-1.0%
Jun	0.6%	2.2%	-4.7%	-0.8%	1.5%
Jul	-1.6%	3.8%	5.7%	-3.8%	-6.5%
Aug	-3.3%	12.2%	9.8%	0.0%	6.4%
Sep	1.7%	3.8%	-6.7%	8.1%	3.0%
Oct		1.2%	-12.4%	4.2%	1.0%
Nov		-6.5%	-1.9%	0.6%	13.5%
Dec		0.8%	-2.1%	-0.6%	8.1%
YTD	<b>-2.1%</b>	<b>29.7%</b>	<b>-46.6%</b>	<b>37.4%</b>	<b>64.9%</b>
VN Index	-8.2%	56.7%	-66.0%	23.3%	144.5%

### VOF portfolio (30 Sep 2010)



### Performance update

VNL's NAV decreased to USD1.41 per share at the end of September 2010, from USD1.44 per share at the end of June 2010 (unaudited). The VNL share price reached USD0.85 in mid-September, before closing the month at USD0.81, a slight increase over the end-August close of USD0.80.

A total of 13 assets were appraised by six international valuation consultants during the quarter, with five properties increasing in value as a result of the review, two decreasing in value and the remainder retained at the same value. The result was an increase of USD12 million in the combined carrying values of these holdings. Most of the increase was in the operating hotel assets, which have improved their business operations as a result of recovering tourism numbers in 2010. The Sheraton Nha Trang Hotel and Spa opened recently, and the Movenpick Saigon Hotel re-opened after a substantial renovation. Total revenue for the hotel portfolio year-to-date is 20 percent higher than the same period last year, with gross operating profits up 15.6 percent.

The net USD0.03 decrease in NAV is due to an increase in the deferred tax provision, after a tightening of the rules in Vietnam pertaining to capital gains on divestments of assets; and the expensing of certain acquisition costs which under the revised financial reporting standards are no longer capitalisable. While the impact of these events is disappointing we are confident that the fund will recover most of these additional provisions when the assets are revalued or realised in the future.

### USD59m in residential sales and reservations

#### Residential sales update

During the three-month period ending September 2010, a total of 173 sales contracts and reservations were recorded at five projects in Danang and Ho Chi Minh City, representing a total value of USD59 million, comprising USD26 million in reservations and USD33 million in sales contracts. This compares to 136 sales contracts and reservations worth a total value of USD29 million (USD11 million in contracts) recorded during the quarter ending June 2010. VinaCapital continues to convert about 80 percent of reservations into sales contracts.

### Details of tender offer policy announced

#### Distribution policy

Shortly after the quarter ended, the VNL Board of Directors resolved to distribute approximately 50 percent of cash generated from divestments, after providing for tax and investment commitments, in twice yearly tenders for the repurchase of share at net asset value (NAV). The Board aims to make the first distribution 2011. In addition to announcing the distribution policy, the Board and the investment manager resolved to 1) explore the possibility of moving the Company's primary listing to another stock exchange with the view of broadening the Company's investor base, and 2) convene an Extraordinary General Meeting to approve the establishment of a share buyback mechanism in VNL's Articles of Association. The Board believes strongly that the above decisions will have a positive impact on the Company's operations and on the value delivered to shareholders.

### 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 and Administrator

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.

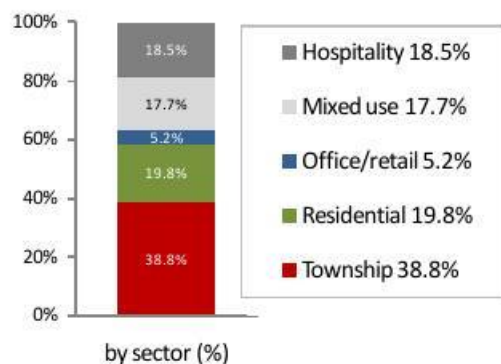
#### Investment focus by geography

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

## Regulatory announcements and press releases

30 Sep 2010	<a href="#">Holding in company</a>	30 Jul 2010	<a href="#">Director shareholding</a>
29 Sep 2010	<a href="#">Holding in company</a>	28 Jul 2010	<a href="#">Director shareholding</a>
31 Aug 2010	<a href="#">Notice of investor call</a>	28 Jul 2010	<a href="#">Residential sales update</a>
13 Aug 2010	<a href="#">Director shareholding</a>	21 Jul 2010	<a href="#">Director shareholding</a>
6 Aug 2010	<a href="#">Director shareholding</a>	19 Jul 2010	<a href="#">June NAV</a>

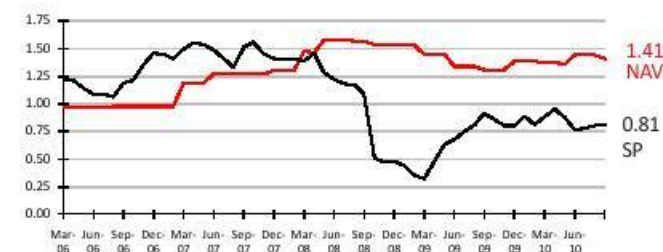
## VNL portfolio (30 Sep 2010)



## Portfolio by geographic location

Hanoi	10%
Central provinces	26%
Ho Chi Minh City region	64%

## NAV and share price performance (30 Sep 2010)



## Quarterly performance history (% change on NAV)

	2010	2009	2008	2007
Q1	3.0%	-5.2%	12.5%	22.0%
Q2	5.1%	-7.6%	7.1%	6.1%
Q3	-2.1%	-2.2%	-0.4%	0.2%
Q4		1.5%	-2.5%	3.2%
YTD	6.0%	-11.3%	17.1%	33.8%

## Major holdings

Project	Type	Status
Aqua City (Long Hung)	Residential	Planning underway
Century 21	Mixed-use	Under construction
Danang Beach Resort	Mixed-use	Sales underway
Dai Phuoc Lotus	Mixed-use	Sales underway
Fidco Binh Duong	Township	Investment licence
HUD	Township	Planning underway
Pavilion Square	Residential	Investment licence
VinaSquare Tower	Mixed-use	Investment licence
My Gia Nha Trang*	Township	Investment licence

\* Formerly Vinh Thai Nha Trang.

### Performance update

VNI's NAV fell to USD0.59 per share at the end of September 2010, from USD0.64 per share at the end of June 2010 (unaudited). The return for the quarter was -7.8 percent, with the decline in NAV attributable to the performance of the capital markets component of the portfolio. The share price increased slightly to USD0.36 at the end of September, from USD0.34 at the end of June. Early in the quarter, VNI's investment manager purchased four million shares at a price of USD0.35 per share.

### Company updates

Despite the poor performance of Vietnam's stock market in 2010, many of VNI's listed positions have recorded strong company earnings figures. **BCI, PVS and Nam Viet Oil are profiled on page 10-11 of this report.** In addition, Ho Chi Minh Infrastructure Investment JSC (CII), representing 3.3 percent of VNI's NAV, earned profits of USD15.1 million in H1 2010, up 156.5 percent year-on-year. By realising financial investments during the period, the firm increased revenue by 363.0 percent, with a profit margin of 56.0 percent. Tan Binh Import-Export JSC (TIX), representing 1.3 percent of VNI's NAV, announced net profits of USD2.9 million between October 2009 and June 2010, rising 8.8 percent year-on-year. The nine-month earnings per share was USD0.24 compared to USD0.21 in the same period last year. VNI private equity holding Hanoi Electrical Equipment Mechanical Engineering JSC (HNEM) reached a major milestone in September, with its first hydropower plant of 13.5MW starting operations. The company expects to generate operating profits in FY2011 following this event. VNI owns a 35 percent stake in HNEM.

### Distribution policy announced

#### Fund strategy update

During his presentation to the VinaCapital 2010 Investor Conference, Tony Hsun, managing director of the VNI investment team, announced the intention of the fund to distribute 5-10 percent of NAV per year, starting next year. VNI will also seek to limit its capital market exposure, reducing the target allocation of listed equities to 20-25 percent of NAV, from the 33 percent target as originally contained in the fund's prospectus. As with VOF and VNL, the fund will explore migrating to a major international stock exchange in order to broaden the investor base. Finally, VNI intends to broaden its investment focus to new growth areas, such as agriculture-related infrastructure and logistics.

### Regulatory announcements

10 Sep 2010	<a href="#">August NAV</a>	11 Aug 2010	<a href="#">July NAV</a>
31 Aug 2010	<a href="#">Notice of investor call</a>	9 Aug 2010	<a href="#">Director shareholding</a>
16 Aug 2010	<a href="#">Long An project update</a>	19 Jul 2010	<a href="#">July NAV</a>
11 Aug 2010	<a href="#">Director shareholding</a>		

### 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

Grant Thornton (Cayman Islands)

#### Nominated advisor (Nomad)

Grant Thornton Corporate Finance

#### Custodian and Administrator

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 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

**Top holdings by sector at 30 Sep 2010**
**Energy**

	Type	% NAV	Manager's comment
Nam Viet Oil	OTC equity	4.4	First operating private oil refinery in Vietnam.
PPC	Listed equity	3.8	Operates a 1,040MW thermal power plant.
PVD	Listed equity	2.5	Oil and gas services; part of PetroVietnam Group.

**Transportation and Logistics**

	Type	% NAV	Manager's comment
Phu My	OTC equity	4.5	Owner and operator of BOT Phu My Bridge in HCM City.
VALC	Private equity	3.4	Aircraft leasing JV with Vietnam Airlines.
VSC	Listed equity	1.0	Provides logistics services for the shipping industry.

**Telecommunications**

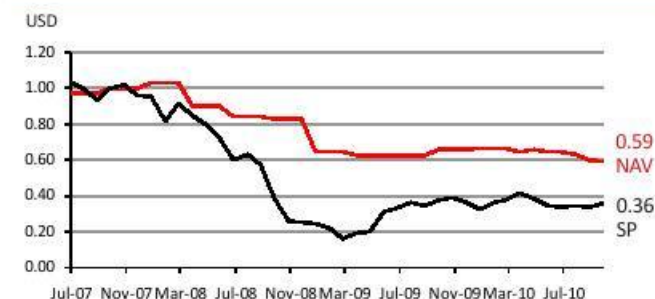
	Type	% NAV	Manager's comment
VNC-55	Private equity	3.6	Owns over 680 BTS towers.
MIDC	Private equity	3.3	Owns over 500 BTS towers.
GII	Private equity	2.0	Owns over 300 BTS towers.

**Industrial parks**

	Type	% NAV	Manager's comment
Long An SEA	Private equity	8.4	Major 708ha IP and port project in Long An province.
ITA	Listed equity	5.9	One of Vietnam's the largest industrial park operators.
TIX	Listed equity	1.3	Owns Tan Binh IP, logistics and trading assets.

**General infrastructure**

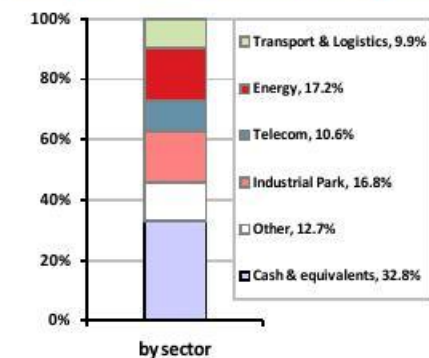
	Type	% NAV	Manager's comment
CII	Listed equity	3.8	Most successful infrastructure developer in southern VN.
DIG	Listed equity	2.6	One of Vietnam's leading township developers.
BCI	Listed equity	1.7	Top township developer in HCM City.

**NAV and share price performance (30 Sep 2010)**

**Performance history**

	2010	2009	2008	2007
Q1	-3.0%	-0.5%	-12.8%	n/a
Q2	-0.3%	3.7%	-6.7%	n/a
Q3	-7.8%	1.5%	-1.0%	2.9%
Q4		0.8%	-12.0%	3.1%
YTD	-11.0%	5.5%	-29.1%	6.1%

Total return since inception: -29.4%\*

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

**VNI portfolio by sector (30 Sep 2010)**


VNI at 30 September 2010 held a 1.8% stake in PVS worth USD5.0m

### PetroVietnam Technical Services Corporation (PVS)

PetroVietnam Technical Services Corporation (PVS) is one of the leading oil and gas service providers in Vietnam. Initially a wholly-owned subsidiary of PetroVietnam, PVS was equitised and listed on the Hanoi Stock Exchange in late 2007.

PVS engages in four core businesses: leasing offshore AHTS supply vessels, leasing FPSO vessels, construction of oil platforms (M&C) and acting as a port/supply base operator. Currently, PVS is the only company in Vietnam that owns and leases offshore supply and FPSO vessels. The company has over 30 subsidiaries, associates and branches working on and offshore.

In FY2009, PVS generated a revenue of VND10,679.7 billion and net income of VND576.9 billion, an increase of 23 and 7 percent year-on-year, respectively. However, average EPS dropped by 33 percent as the company issued new shares during the year. Performance in 2010 has been strong despite a difficult environment. During H1 2010, PVS increased its revenue by 77 percent to VND7,570.1 billion and net income by 76 percent to VND404.7 billion compared to H1 2009. As a result, the company issued adjusted targets for FY2010, increasing revenue from VND12,000 billion to VND16,000 billion and EBT from VND650 billion to VND750 billion.

At 30 September 2010, PVS shares closed at VND26,800, equivalent to a P/E 2009 of 10.1x and a P/B 2009 of 1.5x.

### Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	H1 10A
Revenue	8,671.3	10,679.7	7,570.1
Gross profit	881.0	1,013.6	402.4
Gross margin	10.2%	9.5%	5.3%
Net income	537.2	576.9	404.7
Net margin	6.2%	5.4%	5.4%
EPS	4,955	3,319	2,060
DPS	1,000	500	2,000
Balance Sheet (VND bn)	FY08A	FY09A	H1 10A
Total assets	7,982.1	12,400.5	16,145.0
Shareholders' equity	2,247.4	3,498.5	3,342.5
ROE	23.9%	16.5%	24.2%
Book value per share (VND)	12,842	17,493	16,713
Valuations (VND bn)	FY08A	FY09A	H1 10A
PER (x)	n/a	8.1	6.5
P/B (x)	n/a	1.5	1.6
Dividend yield	n/a	1.9%	7.5%

VNI at 30 September 2010 held a 2.5% stake in BCI worth USD4.1m

### Binh Chanh Construction Investment Joint Stock Company (BCI)

Binh Chanh Construction Investment JSC (BCI) was originally a state-owned enterprise specialising in township development and construction services. BCI was transformed into a joint stock company in 1999, went public in 2007, and finally listed on the Ho Chi Minh City Stock Exchange in March 2009.

BCI focuses on township and residential projects, and industrial parks, in Binh Chanh District of Ho Chi Minh City. By the end of 2009, the company had brought into operation a total of 25 projects covering over 1,000 hectares. BCI is developing six projects in 2010, and despite a difficult environment for real estate developers, the company continues to increase its profits. In FY2009, BCI generated a revenue of VND441.2 billion and net income of VND207.0 billion. Though revenue dropped by nine percent compared to FY2008, net income increased 65 percent due to a higher gross margin (58 vs. 45 percent) and lower tax rate (25 vs. 28 percent). Net income in H1 2010 increased 80 percent year-on-year. The company targets revenue of VND764.0 billion and net income of VND259.0 billion for FY2010.

In June 2010, BCI successfully issued five-year corporate bonds worth VND300 billion. At 30 September 2010, BCI shares traded at VND37,800, equivalent to a P/E 2009 of 9.9x and a P/B 2009 of 1.7x.

### Financial highlights

Profit and loss (VND bn)	FY08A	FY09A	H1 10A
Revenue	484.8	441.2	277.9
Gross profit	215.8	256.1	159.8
Gross margin	44.5%	58.0%	57.5%
Net income	125.5	207.0	109.3
Net margin	25.8%	46.9%	39.3%
EPS	2,312	3,822	2,011
DPS	3,549	8,897	12,980
Balance Sheet (VND bn)	FY08A	FY09A	H1 10A
Total assets	2,470.2	3,024.6	3,306.8
Shareholders' equity	1,077.4	1,189.2	1,253.1
ROE	11.6%	17.4%	8.7%
Book value per share (VND)	19,879	21,940	23,120
Valuations (VND bn)	FY08A	FY09A	H1 10A
PER (x)	n/a	15.9	14.2
P/B (x)	n/a	2.7	2.4
Dividend yield	n/a	2.8%	n/a

**VOF at 30 September 2010 held 24.6% stake in Cofico worth USD5.2m**

**Cofico - Construction Joint Stock Company No. 1**

Cofico was originally a state-owned company, with over 25 years experience in the construction industry. The company equitised in early 2006. Construction remains a growth industry and Cofico holds a 30 percent market share in Ho Chi Minh City, and a strong standing in Hanoi as well. Cofico specialises in the construction of high-rise building projects, industrial factories, and hotel and retail centres. Cofico built the VOF-owned Hung Vuong Plaza.

For FY2009, Cofico had a revenue of VND774.6 billion and net income of VND35.5 billion, a decline of 10 and 36 percent year-on-year, respectively, due to the difficult economic conditions in the first half of the year. For FY2010, Cofico has targeted revenue of VND1.3 trillion and net income of VND60.7 billion, which would be increases of 64 and 71 percent, respectively. In Q3 2010, Cofico reported revenue of VND600 billion and net profits of VND16.3 billion, or 47 and 27 percent of the 2010 target.

At a shareholder meeting in August, Cofico announced a cash dividend of 20 percent and a stock dividend of 20 percent over chartered capital to existing shareholders. Cofico trades on the OTC market at forward P/E 2010 of 7.3x and a P/B of 2.1x.

**Financial highlights**

Profit and loss (VND bn)	FY08A	FY09A	Q3 10A
Revenue	857.5	774.6	600.0
Gross profit	66.7	55.1	43.2
Gross margin	7.8%	7.1%	7.2%
Net income	55.8	35.5	16.3
Net margin	6.5%	4.6%	2.7%
EPS	10,084	5,216	n.a
DPS	4,000	4,000	n.a
Balance sheet (VND bn)	FY08A	FY09A	Q3 10A
Total assets	73.0	8.9	984.5
Shareholders' equity	167.4	198.4	216.3
ROE	33%	18%	8%
Valuations (VND bn)	FY08A	FY09A	Q3 10A
PER (x)	6.4	12.5	7.3
P/B (x)	2.1	2.2	2.1
Dividend yield	6%	6%	n.a

**At 30 September 2010, VNI held a 20.0% stake in NVO worth USD10.5m, while VOF held an 11.6% stake in NVO worth USD6.1m**

**Nam Viet Oil Refinery and Petrochemicals JSC (NVO)**

Nam Viet Oil Refinery and Petrochemicals JSC (NVO) is the only private condensate refinery in Vietnam. NVO benefits from secure, long-term supply of raw material from its strategic shareholder PetroVietnam Oil Corporation (a subsidiary of PetroVietnam). NVO also has a strong wholesale distribution arrangement with PetroMekong, a dominant gasoline retailer in southern Vietnam.

Currently, NVO is in the process of upgrading its plant capacity from 2,000 to 5,000 barrels per day, scheduled to complete by the end of 2010. In 2011, the company plans to diversify its condensate supply and expand its customer base from pure wholesale to industrial and retail customers. Although the domestic petroleum market is under short-term pressure due to high inventory and low regulated prices, NVO is on track to achieve net income of VND83 billion in FY2010, a substantial increase over the FY2009 net income of VND14 billion. The company trades at a P/E 2010 of 11.6x and a P/B of 3.6x. The company will pay shareholders an interim dividend of almost VND1,000 per share in late October.

**Financial highlights**

Profit and loss (VND bn)	FY08A	FY09A	H1 10A
Revenue	113.2	524.0	797.2
Gross profit	21.4	29.4	103.5
Gross margin	19.5%	5.5%	13.0%
Net income	3.1	13.9	82.7
Net margin	2.7%	2.7%	10.4%
EPS	176	700	4,187
DPS	-	500	1,000
Balance Sheet (VND bn)	FY08A	FY09A	H1 10A
Total assets	185.6	443.6	772.2
Shareholders' equity	176.9	213.8	285.8
ROE	1.7%	6.5%	29%
Book value per share (VND)	10,060	10,830	14,470
Valuations (VND bn)	FY08A	FY09A	H1 10A
PER (x)	n/a	76.4	11.6
P/B (x)	n/a	4.9	3.6
Dividend yield	-	1.0%	1.9%

The manager update section provides investors with information on the policies and practices of VinaCapital Investment Management Ltd (VCIM), as well as updates on VinaCapital Group relevant to the performance of our investment funds.

### Risk management at VinaCapital Group

VinaCapital Group seeks to protect and grow the value of our funds under management. In striving to provide value to our shareholders, we encounter many risks in our business and operating environment that can both reduce or add value to the Group and the Funds.

The objective of risk management at VinaCapital Group is to effectively identify, monitor and manage investment and operational risks. The goal is to manage these risks by ensuring that each fund's portfolio investments:

- Remain within the investment guidelines;
- Are frequently monitored to ensure returns are maximised for the risks taken;
- Protect and preserve capital, and
- Minimise losses.

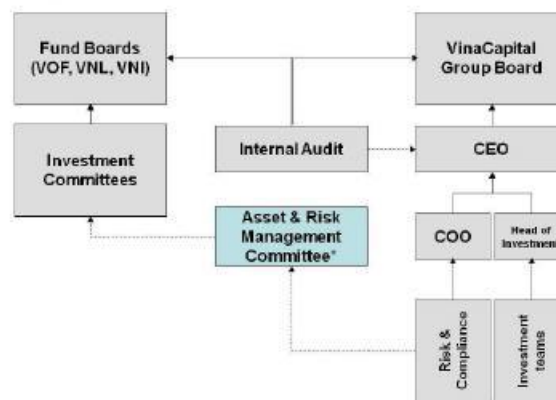
To achieve these objectives, investment teams work according to the VinaCapital risk management framework to manage risk appropriately. In addition there is an independent risk and compliance function governed by the Asset and Risk Management Committee, to monitor, identify, assess and recommend actions for investment and operational risk.

**Investment Risk** – Investment risk is defined as the risk of potential for losses that VinaCapital funds may be exposed to during the course of making and holding investments.

**Operational Risk** – Operational risk is defined as risks that VinaCapital may be exposed to due to inadequate or failed internal processes, people and systems, or from external events. These risks may cause losses both financial and/or non-financial that may impede the ability to achieve business objectives.

VinaCapital's enterprise risk management framework aims to address both investment and operational risk.

### Risk management structure



### Enterprise risk management framework

The enterprise risk management framework is the culture, process and structure established by VinaCapital's Board of Directors, management and other personnel. It is designed to identify potential events that may affect VinaCapital Group and its funds, and manage risks to be within its stated risk appetite.

The implementation of the framework is supported by an improved infrastructure of methodologies, tools, systems and management information which increases both the efficiency and the effectiveness of the way in which VinaCapital manages its risks.

### Governance structure, roles and responsibilities

The risk framework includes numerous specific duties of the main bodies involved in risk management. These are:

- VinaCapital Group Board of Directors
- Listed Fund Boards and Audit Committees
- Asset and Risk Management Committee

### The Asset and Risk Management Committee (ARMC)

The ARMC is responsible for reviewing and approving the asset and risk management framework and guidelines, ensuring effective implementation of risk management policies and procedures, and ensuring appropriate coordination across teams and funds.

The ARMC is composed of the VinaCapital Group Chief Operating Officer, Head of Investment, General Counsel, Head of Risk and Compliance, and an independent party. The ARMC formally meets once per month to review outstanding deals and other issues related to the work of the Committee.

### Business Units

- Ensure compliance with the Group's risk policies;
- Identify, assess, monitor and mitigate risks on an ongoing and proactive basis;
- Implement risk response strategies decided upon by Management, i.e. avoid, accept, mitigate, transfer or exploit risks;
- Continuously review processes and improve where necessary; and
- Report any issues or risks to Head of Business Unit or Risk Management Department as and when they occur.

### Internal Audit

Internal audit, outsourced to PwC Vietnam, plays a key role in evaluating the effectiveness of the risk management process. This evaluation includes the reliability of financial reporting, the efficiency and effectiveness of operations, and compliance with laws and regulations. PwC has been engaged to perform regular risk assessments and carry out internal audits according to a risk-based internal audit plan. This provides independent assurance of internal controls and risk management processes. The internal audit function has direct reporting lines to the Boards of both VCG and VCG-managed funds.

**Media highlights****Capital wave misses Vietnam, but is it time for a look?**

2 November 2010 – Reuters

Most economic policymakers in emerging Asia are fretting over how best to staunch surging investment inflows. But Vietnam's don't have to worry. [Read more.](#)

**Macquarie joins forces with VinaSecurities**

1 November 2010 – Financial Times

Many international investors turned away from Vietnam after getting their fingers burnt when the economy, destabilised by large capital inflows, started to overheat in 2007-08. But the decision by Macquarie, the Australian investment bank, to enter the market alongside VinaSecurities, one of Vietnam's more highly regarded stockbrokers, is a tentative sign that interest may be coming back.

[Read more.](#)**Macquarie signs cooperation accord with Vietnam's VinaSecurities**

27 October 2010 – Bloomberg

Macquarie Group Ltd., Australia's biggest investment bank, and VinaSecurities, a unit of Vietnam's largest fund manager, signed an deal to share research, trade shares and work on acquisitions in the Southeast Asian nation. [Read more.](#)

**Intel opens its largest chip assembly and testing plant in Vietnam**

29 October 2010 – The Record/Bloomberg

Intel Corp.'s \$1 billion US assembly and testing plant in Ho Chi Minh City has opened the door to more technology-related investment in Vietnam, said Paul Otellini, chief executive of the world's biggest chipmaker. [Read more.](#)

## Important Information

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## VinaCapital Group

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

<b>Don Lam</b>	Chief Executive Officer, VinaCapital Group
<b>Brook Taylor</b>	Chief Operating Officer, VinaCapital Group
<b>Stacy Kincaid</b>	Managing Director, Fund portfolio

VCIM	
<b>Andy Ho</b>	Managing Director, Head of Investment
<b>Tony Hsun</b>	Managing Director, Infrastructure
<b>Nguyen Viet Cuong</b>	Deputy Managing Director, Capital Markets
<b>Kenny Low</b>	Deputy Managing Director, Infrastructure

<b>David Henry</b>	Managing Director, Real Estate
<b>Stephen O'Grady</b>	Managing Director, Hospitality
<b>David Blackhall</b>	Deputy Managing Director, Asset management
<b>Anthony House</b>	Deputy Managing Director, Development
<b>Jonathan Campbell</b>	Deputy Managing Director, Fund portfolio

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<b>Nominated advisor</b>	Grant Thornton Corporate Finance
<b>Auditor</b>	Grant Thornton (Cayman Islands)
<b>Internal auditor</b>	PricewaterhouseCoopers (Vietnam)
<b>Custodian</b>	HSBC Trustee