VinaCapital

VinaLand Limited
Investment structuring

Information brief

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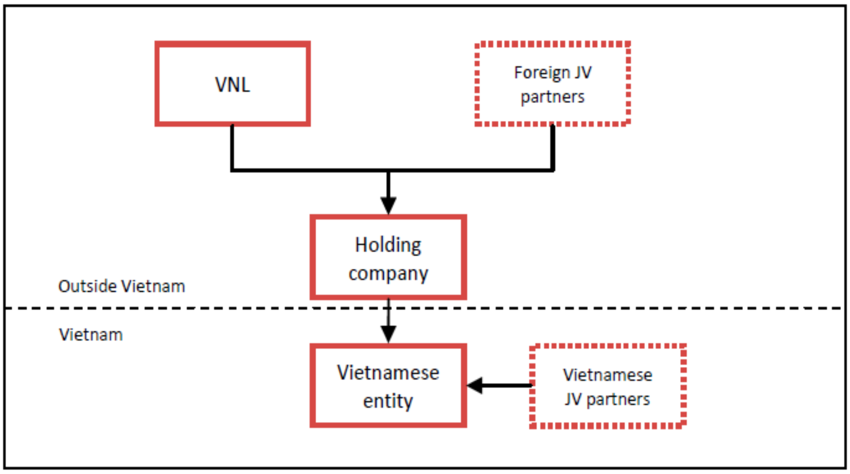
VinaCapital Investment Management Ltd publishes information briefs on issues of importance to investors in its funds. Below is an explanation of how VinaLand Limited's ("VNL") property investments are structured.

The general investment structure used to undertake real estate investments into Vietnam is set out in the following diagram.



An investment may or may not have a foreign and/or Vietnamese joint venture partner(s). Foreign JV partners include VNL's sister fund, VinaCapital Vietnam Opportunity Fund Ltd, if it is a co-investor in the given property. VNL is not required to have a local Vietnamese JV partner to undertake property investments and developments in Vietnam. The Vietnamese JV partner usually contributes land use rights to the project, but VNL may directly obtain a long-term land lease from the government of Vietnam on its own.

VNL has holding companies incorporated in the British Virgin Islands, Hong Kong and Singapore. Most recently established holding companies are incorporated in Singapore due to its attractive legal and business regulations, high profile as an investor into Vietnam, and general logistical convenience.

Two types of Vietnamese entities are usually established to undertake property investment into Vietnam. They are either a limited liability company or a shareholding company. A limited liability company is used when there are only one or two parties within the Vietnamese entity. The owners of a limited liability company do not hold shares, but rather, hold a percentage of the charter capital of the company. The benefits to a limited liability company is that there are no minimum required number of owners or shareholders. A shareholding company will be used when the Vietnamese entity contemplates either adding shareholders to raise additional capital or seeks to go public and list on one of the stock exchanges. Listed companies must be shareholding companies and are required to have at least 3 shareholders.

No matter what type of entity is established, VNL's ownership in land is recognised as a leasehold title given that officially all land in Vietnam is owned by the State. VNL's leasehold interests generally span 20 to 40 year terms, although longer terms can be obtained and existing leases can be extended well before maturity. When developing land for residential sales, VNL will seek to obtain leasehold rights which can become freehold rights when the property is subdivided and transferred to Vietnamese nationals.

Realisation of investments

VNL generates returns from capital gains and dividend income from its investments.

Capital gains

Capital gains are derived from the transfer of an investment through the sale of either the holding company, the Vietnamese entity, or the asset itself. If a capital gain is derived from the sale of the property or the sale of the Vietnamese entity it will be subject to a 22% capital gains tax rate.

Dividend income

VNL's portfolio companies within Vietnam derive income from the development and sale of residential property and provisions from hospitality services. Income from these activities are subject to a 22% corporate income tax rate and may be distributed as dividends once the financial statements have been issued and the necessary approvals have been obtained from tax authorities. This can take up to six months.

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