



# VinaLand Limited

Quarterly report 31 December 2011

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## Quarterly report 31 December 2011

### Fund background

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

ISIN KYG936361016  
Bloomberg VNL LN  
Reuters VNL.L

### Investment objective

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

[View VNL details.](#)

[Download VNL factsheet.](#)

### Fund managing director

David Henry

### Manager

VNL is managed by VinaCapital Investment Management Ltd ("VCIM" or the "Investment Manager"), a Cayman Islands company. VCIM was established in 2008 and manages three listed and several unlisted investment companies.

More information about VCIM is [available here](#).

### Manager comment

The NAV per share for VNL finished at USD1.20 for the quarter ended 31 December 2011, down 11.1% from the previous quarter. The fund has continued to carry out its share buyback programme, repurchasing a total of 2,595,000 shares in the fourth quarter. All shares repurchased through this programme have been cancelled, resulting in a lower number of shares in issue and having an accretive impact on the NAV per share. As a result, the total number of shares in issue was 497,372,622 as of 31 December.

### Asset Revaluations

During the fourth quarter, project revaluations with a valuation date of 31 December 2011 were undertaken which resulted in an 11.1% realized decrease in NAV. In accordance with the ongoing quarterly revaluation program, external third party valuation consultants were instructed to appraise nine projects. Six of these nine assets were adjusted downwards, two projects remained unchanged and one project increased in value. Key factors which resulted in adjustments included an ongoing deterioration of the macroeconomic and property markets, high interest rates of over 20% and a highly illiquid property market. While these factors have been brewing since early 2011, the degree of impact on the property market was not fully realized until the final quarter of 2011, during which VNL experienced a number of pipeline divestment negotiations slow down or cease all together. Many Vietnamese investors and developers, who have traditionally been buyers of VNL projects, are no longer active in the market.

A review of the remaining VNL portfolio was also undertaken by the Valuation Committee to ensure current conditions were reflected in the NAV. This review resulted in downward adjustments to the project NAVs for an additional fifteen assets, including the fund's hospitality portfolio. Adjustments to operating assets where applicable, were determined based on a revised cash flow analysis whereby actual vs. forecast assumptions from the previous revaluation exercise were updated for current market conditions. Furthermore, downward adjustments in land projects were the result of revised cash flow analysis, in particular a change in development deadlines, where commencement and exit assumptions were pushed back.

Note: The fund's hospitality portfolio was re-valued and adjusted in Q3 2011, of which the resulting lower project NAV was subsequently booked and reported in the 30 June 2011 audited year end statements.

31 December 2011

NAV **1.20** per share (▼11.1%)

Total NAV: USD598 million

### Performance summary

	Cumulative change:			
	31 Dec 11	3mth	1yr	3yr
NAV per share	1.20	-11.1%	-11.8%	-20.0%
Share price	0.68	1.5%	-31.3%	41.7%
Premium/ (Discount)	(43.3%)			
Market cap	338m			
Total NAV	598m			

### Other information

Issued shares	497,372,622
Fundraisings	198m in 2006; 395m in 2007

### Acquisition history

Total assets	37
Total investments	46
Divestments	9 full + 1 partial, plus residential unit sales
Debt level	Fund: Nil      Projects: 13% of NAV
Cash balance	Fund: USD8m      Projects: USD38m*

\*adjusted VNL ownership

### Performance history (% change on NAV)

	2011	2010	2009	2008	2007
Q1	0.7%	3.0%	-3.3%	12.5%	22.0%
Q2	-2.2%	-0.7%	-9.0%	9.4%	6.1%
Q3	0.7%	3.7%	-0.8%	-2.5%	0.2%
Q4	-11.1%	-3.5%	1.5%	-4.5%	3.2%
YTD	-11.8%	2.3%	-11.3%	14.8%	33.8%

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## Top holdings

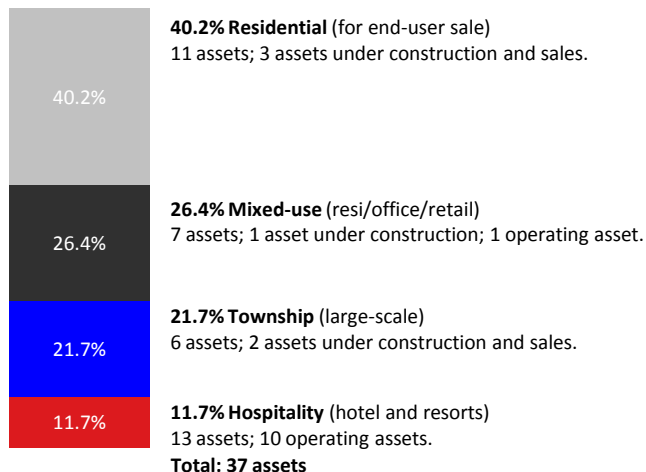
Project	Location	Type	NAV%
Century 21	South	Residential	13%
Danang Beach Resort	Central	Residential	12%
Dai Phuoc Lotus	South	Township	8%
Pavilion Square	South	Mixed-use	7%
VinaSquare	South	Mixed-use	6%
Times Square Hanoi	North	Mixed-use	5%
My Gia	Central	Township	5%
World Trade Centre	Central	Mixed-use	4%
Aqua City	South	Township	4%
Trinity Park*	South	Residential	4%

\* Previously HUD Dong Tang Long.

**Top 10 assets: 68%**

See [page 7](#) for detailed table on top ten holdings.

## Portfolio by sector



## Projects carried at cost or below cost

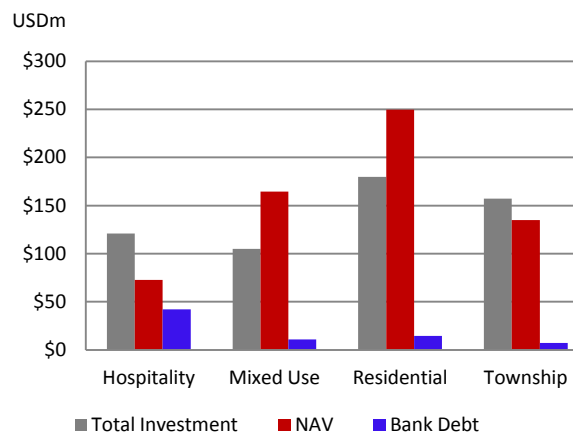
Project	Location	Type	Site Area (ha)
Long An	South	Township	1,925
Hoi An South	Central	Township	1,538
Vung Bau	South	Hospitality	238
Trinity Park	South	Residential	34
Green Park Estate	South	Mixed-use	27
Long Truong	South	Residential	20
Hao Khang	South	Residential	4.8

**Total: 7 assets representing NAV of USD75m**

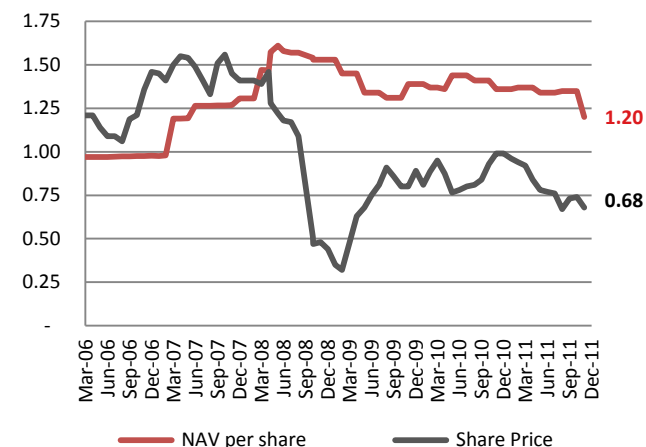
## Portfolio breakdown

Portfolio by geographic location	NAV%
Hanoi	8%
Central provinces	28%
Ho Chi Minh City region	64%
Valuation breakdown	
Assets held at cost and below cost	12%
Assets revalued	88%
Development status	
Land banking assets	8%
Planning stage assets	51%
Development stage assets	32%
Operating assets	9%

## NAV by sector (31 Dec 2011)



## NAV and share price performance (31 Dec 2011)



## VNL strategy

**Background:** VNL from 2006-2009 invested in a total of 46 real estate assets across the major urban centres of Vietnam, including operating hotels, office, retail, mixed-use, residential and township projects. Following nine divestments, at 30 September 2011 the fund held 37 assets. Following the acquisition phase, VNL focused on obtaining investment licences and development approvals for its property assets.

**Current strategy:** VNL is now in a divestment / realisation phase. The primary means of divestment has been via the development of residential for-sale products (apartments and landed property) to Vietnamese homebuyers. This has become more challenging over the past quarter as buyers have withdrawn from the market. VNL's strategy remains to push forward with landed property development and sales given activity remains in this segment. Additionally by pushing forward with development, this enables VNL to seek co-investors or sub developers who will purchase larger wholesale parcels of land from the VNL township projects allowing for a partial exit.

A second means of divestment is to seek co-investors or equity development partners. Complete divestment of assets will be considered on a case-by-case basis, particularly for mature assets where a sale at current market value will result in a higher IRR than holding or continuing to developing the asset. Mixed-use, city-centre developments will only proceed up to the development phase, after pre-commitments are obtained from anchor tenants and/or equity co-investors. This will delay commencement of onsite developments for some projects, however VNL will not commit to debt at unrealistic levels and instead will wait for the market and macroeconomic conditions to improve.

A share buyback programme was initiated in late October 2011 after receiving feedback from investors as to the most appropriate method of providing them with distributions. All shares purchased under this programme are cancelled.

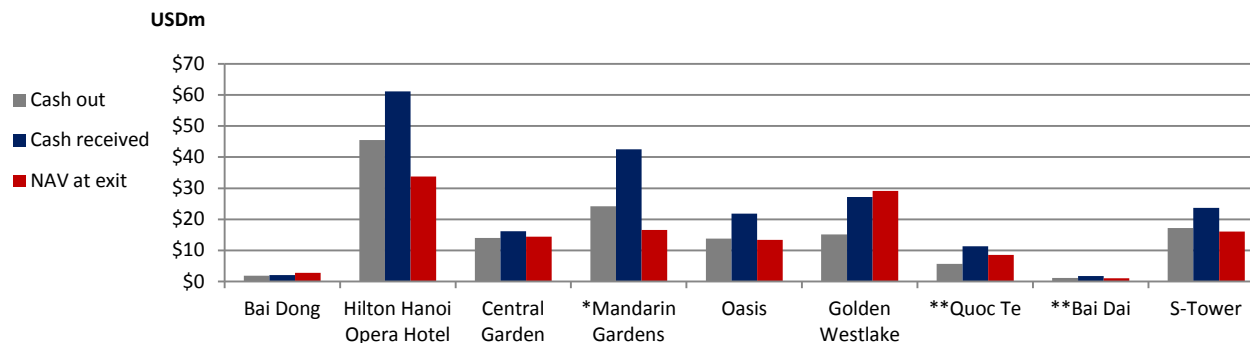
Please think before printing. This report is designed to be viewed 'full screen' without the need to print on paper.

Construction Timeline	Type	2012				2013				2014				2015				2016
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Danang Beach Resort	Residential																	
WTC Danang	Mixed use																	
My Gia	Township																	
Dai Phuoc Lotus	Township																	
Trinity Park*	Residential																	
Hao Khang*	Residential																	
Century 21*	Residential																	

Under Construction Proposed Construction

(\*): seeking co-investment partner or divestment

## VNL projects fully divested



Exit Date	Q2 2009	Q2 2009	Q2 2009	Q2 2010	Q4 2009	Q4 2009	Q4 2010	Q2 2011	Q3 2011
Exit IRR	10%	21%	10%	32%	22%	20%	20%	17%	16%

Above excludes partial divestment of Danang World Trade Centre Phase 1: 49% sale with exit IRR of 262%

\* 2nd phase of divestment: pending receipt of final payment

\*\* Under Contract: pending conclusion of conditions precedent

**Inflation continues to dominate market's focus**

**GDP growth of 6.1% for Q4 2011, impacted by industrial and construction sectors**

**Liquidity froze throughout 2011, notably in the fourth quarter.**

**Q1 2012 should see continued FX stability and less inflation pressure than a year ago**

### Macro economy

The fourth quarter of 2011 saw inflation recede from the peak levels, recorded during the previous quarter, with CPI finishing the year at 18.1% YoY. Inflation will continue to be the biggest macro economic factor leading into 2012, affecting interest rates and liquidity for capital markets. We forecast 2012 inflation to reach between 10 – 12 percent given expected relaxed utility subsidies, ranging from 10-50 percent for gas, electricity and water. MoM inflation is trending down due to moderating food prices, the largest component of CPI.

The country's real GDP in Q4 grew 6.1 percent YoY, closing a volatile 2011 with growth of 5.9 percent, a slight slowdown in growth from the 6.8 percent recorded in 2010. This represents the second lowest annual growth in GDP over the past decade, following 5.3 percent earned in 2009. The industrial sector was the largest drag in GDP with a drop of 1.0 percent year-on-year compared to an increase of 10.1 percent in 2010, which is largely attributable to the depressed housing market's impact on the construction sector.

The fourth quarter continued to see the effects of mid-year monetary tightening with the goal of shoring up high inflation and combating high interest rates. These elevated rates had a material impact on companies which carry large amounts of debt on their balance sheets, most notably the banking sector. As a result, growth in M2 (money in circulation) and bank credit slowed to 10 and 12 percent respectively, a drastic reduction to levels seen in years past. Such a rapid reduction in the money and credit supply is partly responsible for the overall liquidity squeeze that occurred in the fourth quarter, impacting both real estate and equity markets.

Despite these headwinds, the Vietnamese Dong remained stable throughout the final quarter, finishing in December with an open market rate of VND21,300, less than one percent above the top end of the official band. We noted a surplus position of Balance of Payment estimated by the SBV of USD2 billion, supported by strong FDI disbursement of USD11 billion as well as foreign remittance of approximately USD8.5 billion. However, there remains speculation that the currency will depreciate more throughout 2012.

We expect to see a continuation of the improving economic environment carrying over into Q1 2012. However, some key challenges will include the level of domestic consumption, with consumer confidence falling even during the Tet holiday season. Inflation, albeit decreasing, still remains constrictive, given the resulting high interest rates, which reduces purchasing power for consumers and elevates interest expense on companies' P&Ls.

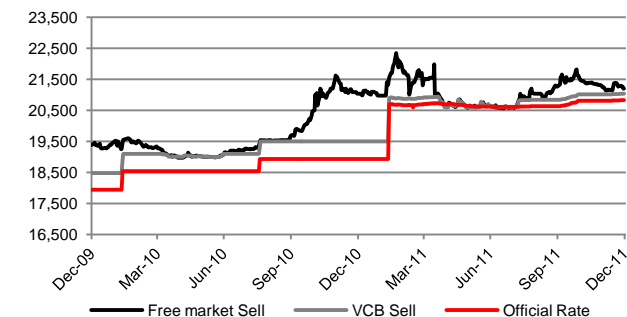
### Macroeconomic indicators and forecast

	2010	Dec-11	2011	Y-o-Y change
<b>GDP growth<sup>1</sup></b>	6.8%	6.1%	5.9%	5.9%
<b>Inflation</b>	11.8%	0.5%	18.1%	18.1%
<b>FDI (USDbn)</b>	18.6	3.4	14.7	-21.0%
<b>Imports (USDbn)</b>	84	9.6	105.8	24.7%
<b>Exports<sup>2</sup> (USDbn)</b>	71.6	8.9	96.3	33.3%
<b>Trade deficit (USDbn)</b>	12.4	0.7	9.5	-23.4%
<b>Exchange rate<sup>3</sup> (USD/VND)</b>	19,500	21,036	7.9%	7.9%
<b>Bank deposit rate (VND %)</b>	12.0-14.0%	12.0-14.0%	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> Annualized rate. <sup>2</sup> Includes gold. <sup>3</sup> State Bank central rate.

### USD/VND foreign exchange rate



**Residential markets made national headline as developers slashed prices**

**Office rents have been declining for 12 consecutive quarters**

**Both HCM City and Hanoi saw openings of new shopping malls which have set a new benchmark in international quality**

**Hotels performed best thanks to the high season**

## Real estate market

Market challenges remained for the final quarter of 2011. Slow demand caused by the macro economic environment, coupled with oversupply, continued to impact all real estate market sectors. Office rental prices saw continuous decline and retail rents softened some. Residential developers made national headlines with discount prices. However, the hotel sector performed the best due to the high season and notable increased foreign tourism.

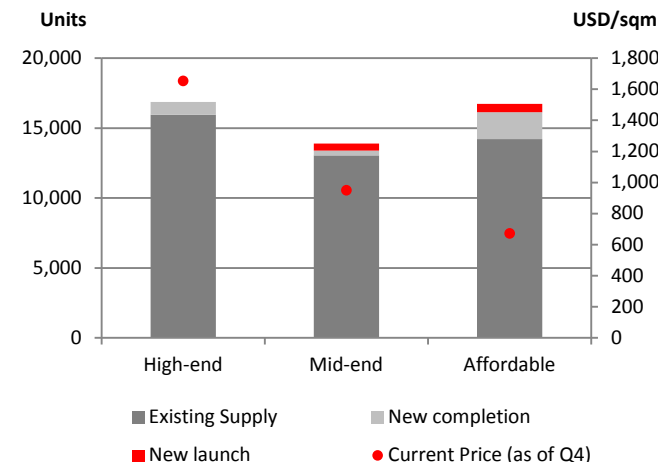
In HCM City, Q4 2011 recorded a notable decline in Grade A office rents, with a 5.8% decrease compared to the previous quarter, standing at US\$32/sqm. Hanoi experienced an oversupply pushing vacancy rates up to a record level of 28%. With high levels of stock, accounting for nearly 143,000 sqm net leasable area (NLA), or approximately 17% of existing supply, Grade A rents were down 8.6%, standing at US\$36/sqm. Expectations for major changes exist for 2012, given the free trade agreement under the WTO agenda, which potentially could increase demand for office space. However, it will still remain a very competitive office market as large supply forecasts are expected to continue, with more office space coming online over the next few years in both HCM City and Hanoi. (VOF and VNL have almost zero exposure in the office sector).

Both Hanoi and HCM City witnessed big changes in retail supply over the last quarter of the year. Hanoi welcomed the opening of Savico Mega Mall (43,500 sqm NLA) which has set a new mark in modern retailing while HCM City saw the opening of the Crescent Mall (45,000 sqm NLA) which remains the first internationally designed quality shopping mall in Vietnam.

Residential markets in both Hanoi and HCM City continued to slow with further downward pressure on pricing in both condominiums and landed property in Q4 2011. While the previous quarter saw incentives and flexible payment terms, the fourth quarter saw not only openly offered price reductions, but also slow sales, forcing developers to secure alternative sources of capital. The Petrovietnam Landmark project made national headlines offering a 30% discount in prices while the Diamond Island project converted an entire block to serviced apartments and sold to a third party operator. We feel landed property still offers the best opportunities in what is a very difficult market.

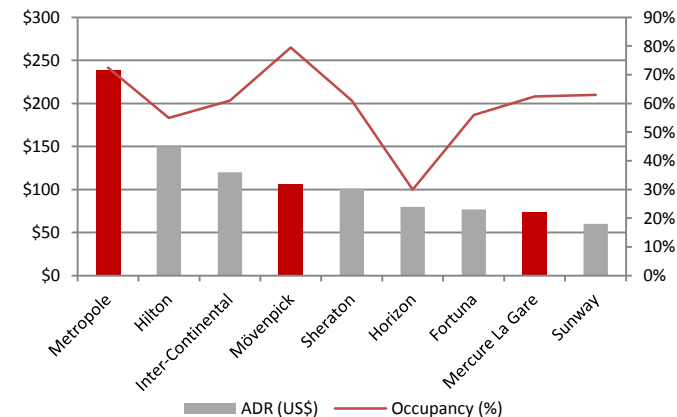
The hotel sector demonstrated improved performance in Q4 2011 thanks to the traditional high season and a steady improvement in tourism. For the quarter, 5-star hotels posted highest increases in both occupancy rate and average daily rates (ADR), with US\$95 revenue per available room (RevPAR). This improved performance of 5-star hotels could be explained by an increase in foreign visitors to HCM City, reportedly 40% higher than the previous quarter and 20% YoY. However, resort and leisure hotels located outside the major cities have not performed as well.

## HCM City condominium market, Q4 2011



Source: CBRE Vietnam

## Hanoi International Hotels, as at Dec 2011



Source: VinaCapital

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VNL top ten holdings											
	Investment	Location	Sector	VNL ownership	VOF ownership	Site area (ha)	% of VNL NAV	VNL NAV (USD)	Bank debt (VNL Portion) (USD)	Outstanding VNL investment commitments (USD)	Current status
1	Century 21	South	Residential	75.00%	25.00%	30	13%	78	-	-	Planning / structuring underway
2	Danang Beach Resort	Central	Residential	75.00%	25.00%	260	12%	77	14	-	Construction and sales underway
3	Dai Phuoc Lotus	South	Township	54.00%	18.00%	200	8%	47	-	-	Construction and sales underway
4	Pavilion Square	South	Mixed-use	90.00%	0.00%	1.4	7%	43	5	8	Land compensation underway
5	VinaSquare	South	Mixed-use	46.50%	15.50%	3.1	6%	35	-	-	Planning / design underway
6	Time Square Hanoi	North	Mixed-use	65.00%	0.00%	4	5%	33	-	-	Planning / structuring underway
7	My Gia	Central	Township	53.25%	17.75%	158	5%	32	7	-	Construction and sales underway
8	World Trade Centre	Central	Mixed-use	64.78%	21.59%	9	4%	26	6	13	Construction and sales underway
9	Aqua City	South	Township	40.00%	0.00%	250	4%	25	-	0	Planning/ infrastructure
10	Trinity Park	South	Residential	75.00%	25.00%	34	4%	24	-	-	Planning/ structuring underway
Total of top 10 Investments (USD million)							68%	420	33	21	
Remaining Investments (USD million)							32%	202	42	32	
Total portfolio (USD million)							100%	622	75	54	

- Bank debt: VNL's portion of current outstanding bank finance at the local investment (project) vehicle
- Outstanding VNL investment commitments: Expected remaining equity commitments for VNL. These forecast commitments are subject to change should local authorities amend policies relating to licensing approvals and capital contributions or should debt be utilized instead of capital or should an investment partner not participate. Some of the Outstanding Investment Commitments may not apply should VNL sell or choose not to proceed to develop the property.
- Due to a co-investor on phase 1 of WTC, the project is broken down into two separate phases. The ownership percentages of this project reflect the total portion of land area over both phases owned by the funds.



**VNL holds a 75% stake in Century 21 valued at US\$78m**

## Century 21

Century 21 was acquired in 2006 because of its location close to a new traffic corridor to the CBD. The Thu Thiem tunnel which was part of the Ho Chi Minh City East-West Highway, running from the South West to the North East of the city, opened in November 2011. The opening of the tunnel has made the site much more accessible to the city's CBD. In the final quarter of 2011, the Century 21 Nam Rach Chiec project also received a revised 1/500 Masterplan and Investment Licence. Key licensees have now brought the site to an advanced stage, ready for development.

The strategy is to divest the commercial portion and find co-investors to develop the residential component. On-site work will not commence until a co-investment partner is secured or market conditions improve. The surrounding District 2 area, has seen improvements to infrastructure, which have created interest among domestic and foreign investors. Preliminary infrastructure plans are being designed and VNL has initiated discussions with two potential co-investment partners for both the residential Phase 1 and commercial Phase 2.

## Project summary

<b>Sector</b>	Residential (25ha) and commercial (5ha)
<b>Area</b>	30ha; estimated GFA 570,000sq.m
<b>Location</b>	District 2, Ho Chi Minh City
<b>History</b>	<ul style="list-style-type: none"> <li>Acquired in Jun 2006.</li> <li>Site cleared and compensated in Jun 2008.</li> <li>Revised Investment License application submitted Dec 2010.</li> <li>Revised master plan submitted and awaiting approval.</li> </ul>
<b>Investment rationale</b>	A 30ha site is located along new infrastructure corridor in a new desirable suburban area.



**VNL holds a 54% stake in Dai Phuoc Lotus valued at USD47m**

## Dai Phuoc Lotus

The Dai Phuoc Lotus township was acquired given its attractive location on an island in a future suburban region of Ho Chi Minh City. The resort environment, with transport by both road and boat available to Ho Chi Minh City, will attract second home buyers as well as young families.

The strategy is to develop the first two of six zones of the 200ha site over a period of five to seven years, in conjunction with partial wholesale divestment to co-investors. Construction and sale of the 332 townhouses comprising Zone 5 is underway, with 65 percent of the ground floor concrete slabs now complete. Some 170 of the 332 houses have sold to date (Phase 4 with the last 90 villas is expected to launch in Q1 2012). Sales over the past quarter have slowed as the overall market for residential real estate softened. The construction phase is flexible in that it can be slowed down in line with selling rates.

## Project summary

<b>Sector</b>	Township
<b>Area</b>	200ha
<b>Location</b>	Dong Nai Province, near Ho Chi Minh City.
<b>History</b>	<ul style="list-style-type: none"> <li>Acquired in June 2007; Investment Licence received in May 2007.</li> <li>Land-use rights issued for four of six zones, with Zone 8 and CBD LUR applications underway.</li> <li>1:500 master plan received and construction of Zone 5 townhouses underway.</li> </ul>
<b>Investment rationale</b>	The site lies in the fast-growing eastern suburbs of Ho Chi Minh City and will benefit from the completed transport infrastructure roll-out at Thu Thiem.





**VNL holds a 75% stake in Danang Beach Resort valued at USD77m**

## Danang Beach Resort

The 260ha site comprising two parcels, a 40ha beachfront and a 220ha inland lot separated by the coastal highway, was acquired in mid 2006. The project broke ground in Jan 2008 with the construction of an 18-hole golf course, The Dunes Course designed by internationally renowned golf legend and designer Greg Norman. The golf course and clubhouse opened in April 2010 and soon received international recognition by winning the Best Golf Development in Vietnam and in Asia Pacific by Bloomberg's Asia Pacific Property Awards 2011. Anchored by the award winning golf course, a number of residential villa projects have been developed and achieved good sales, including The Ocean Villas, The Cham, The Dune Residences, Norman Estates and the Point Residences totaling approximately 300 villas and condominiums.

To date, 95% of The Ocean Villas (Phases 1- 3) have been sold and are being handed over. The Dune Residences began selling in Sep 2010, with all sold and handed over by Q2 2012. Norman Estates branded villas were launched in Jun 2011, 41% sold and are expected to be completed by Q1 2013. The Point Residences was marketed in Sep 2011 and 55% have currently sold. The slowing market has impacted on sales over recent months however sales are continuing.



**VNL holds a 64.78% stake in World Trade Center Danang valued at USD26m**

## World Trade Center

Acquired in 2006 given its central, river front location in the fast growing city of Danang. The World Trade Center will comprise residential space including apartment towers, an international standard hotel or serviced apartment complex, a retail mall and other commercial uses. The plans allows for high quality public open space within the development site, which will link up with 17,000 sqm of riverside boardwalk, which will be upgraded as part of the overall development.

The project was partially exited in 2007 via a co-investment arrangement with a European investor for a portion of Phase 1 (2.5ha). In late 2009, the project broke ground with the construction of the first residential tower, Azura. The building is near completion, with an expected handover date in Q2 2012, however, due to market difficulty throughout 2011, unit sales have been sluggish. The design stage for a retail centre in phase 2 of approximately 72,500 sqm GFA (including parking) is now almost complete with strong pre-lease commitments reaching 60%. Construction of the retail centre is expected to commence in Q2 2012 subject to introducing a suitable equity partner.

## Project summary

<b>Sector</b>	Residential (integrated resort residential).
<b>Area</b>	260ha
<b>Location</b>	Danang , Central Vietnam
<b>History</b>	<ul style="list-style-type: none"> <li>Acquired in June 2006, cleared site, under development. Investment Licence received Dec 2008.</li> <li>Ground breaking in Jan 2008</li> <li>Dunes Golf course opened in Apr 2010</li> <li>Various residential villa projects under construction and sale</li> </ul>
<b>Investment rationale</b>	Integrated resort with golf course well located along the coastal road of Danang City, the third largest city in Vietnam. Develop golf course and amenities to assist with marketing of residential property.

## Project summary

<b>Sector</b>	Mixed-use (residential and retail).
<b>Area</b>	9ha; approved GFA 519,000sq.m.
<b>Location</b>	Danang City, on river side opposite City Centre
<b>History</b>	<ul style="list-style-type: none"> <li>Acquired in Q3 2006. Investment License received in July 2007. Revised master plan approved on August 2011.</li> <li>Phase 1 (2.5ha) was partially exited with a European investor in 2008</li> <li>The first residential tower, Azura, started construction in late 2009, near completion, 30% sold</li> <li>Retail Centre (56,755 sqm GFA) secured 60% pre-lease commitment, at schematic design</li> </ul>
<b>Investment rationale</b>	The project located in the City Centre of Danang City, fronting on Han River.



**VNL holds a 53.25% stake in My Gia valued at USD32m**

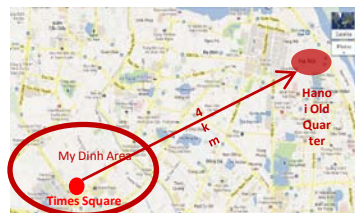
## My Gia

The My Gia site was acquired to offer the first modern township in Nha Trang, a fast-growing tourism destination in central Vietnam. While Nha Trang's seaside strip is largely built up, the city has no master-planned township offering modern living standards for long-term residents, nor second homes in a seaside location. The products on offer include townhouses and villas at affordable prices.

The infrastructure design is complete for the project's initial parcel, and a display village will open in October 2011. In December 2010, sales soft launch events were held in Hanoi and HCM City. To date, 681 land lots have been sold out of the 1,153 lots launched (equivalent to 59% of launched lots). Land and associated infrastructure costs (including foundations) can be recouped on a construction milestone basis according to the terms of the contracts signed with buyers. The fund intends to begin construction of building foundations on reserved lots in 2012. Sales trends are being monitored closely given the market slowdown, however, this project allows flexibility to adjust phasing to meet market demand.

## Project summary

<b>Sector</b>	Township
<b>Area</b>	158ha
<b>Location</b>	Nha Trang, central Vietnam
<b>History</b>	<ul style="list-style-type: none"> <li>Acquired in Jan 2008; Investment Licence received in Oct 2010.</li> <li>Site cleared and compensated. Construction permit received.</li> <li>Sales launched in Dec 2010.</li> </ul>
<b>Investment rationale</b>	The first modern township site in Nha Trang, a fast-growing tourism destination.



**VNL holds a 65% stake in Trinity Park valued at USD33m**

## Times Square Hanoi

The site is positioned in a strategic location with excellent exposure opposite the National Conference Centre, which has been hosting many national and regional events since opening in 2006. Additionally the location is within a new urban development in western Hanoi, often considered the city's future second CBD.

Given this high-profile location the project has considerable potential as a future landmark development. However, obtaining licenses and revising master plans have been a challenge, which has led to delays in development. Due to changes in strategy based on market movements, a new revised master plan has just been lodged and is expected to be approved by Q2 2012.

This development will comprise of a regional retail shopping centre, 24-storey office tower, 240-key hotel/serviced apartment building, and three residential buildings totaling over 1,900 apartments. VNL is currently seeking a joint venture equity partner and/or an international retail mall operator prior to commencing.

## Project summary

<b>Sector</b>	Mixed-use (residential, retail, hotel and office)
<b>Area</b>	4ha
<b>Location</b>	Pham Hung Rd, My Dinh area – future second CBD
<b>History</b>	<ul style="list-style-type: none"> <li>Acquired in Q1 2007</li> <li>Investment Licence received May 2008 and revised July 2010.</li> <li>Planning Approval received in Mar 2010, however, revised masterplan just submitted await approval</li> <li>Initial earth work commenced</li> </ul>
<b>Investment rationale</b>	High profile site in a strategic location in the heart of the city's future second CBD, opposite National Convention and Exhibition Centre. Strategy is to divest from commercial parcel and develop residential portion.

**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 relevant to the performance of our investment funds.**

## **Valuation and NAV calculation**

The accurate and fair valuation of assets held in fund portfolios is a central component of fund management. VCIM follows international best practice whenever possible in its valuation process.

## **Relevant dates**

VNL's financial year-end is 30 June. Audited annual results must be announced within six months of this date. Interim results at 31 December receive an auditor review and must be announced within three months of this date. VNL calculates its unaudited NAV quarterly, and this is announced within fifteen days of the quarter's end. The fund issues monthly and quarterly update reports, and an annual report with the audited final results.

## **The methods used to value assets:**

### *Real estate holdings*

Real estate projects are initially valued at cost. Once an investment license is obtained, or by way of other arrangements VNL has a legal entitlement to an investment property, the investment property is revalued. Investment properties are revalued at least annually and may be revalued more frequently if the investment manager or valuation committee believes there has been a material change in the value of a property. The valuation process consists of obtaining at least one however usually two appraisals for each property from independent third-party valuation companies. The valuations are reviewed by the valuation committee as the basis for the final valuation approved by the Board. At the end of each quarter, the manager also reviews all real estate investments for

possible impairment based on internal calculations. If there is evidence of impairment an independent valuation will be obtained to assess the need for any adjustment in the value of the property.

All other assets and liabilities are recorded at their respective fair values or cost, as required by the International Financial Reporting Standards and as set out in the Notes to the Consolidated Financial Statements as at 30 June 2011.

**More information on valuation is available on the Investing policy page of the VNL website: [VNL Investing policy](#).**

## **Audit and Valuation committees**

VNL has two separate audit and valuation committees composed of independent non-executive members of the board of directors of the fund, and chaired by an independent director. Both committees meet at least quarterly.

### *VNL Audit Committee*

Nicholas Allen (chair)  
Charles Isaac  
Nicholas Brooke

### *VNL Valuation Committee*

Michael Arnold (chair)  
Nicholas Brooke  
Stanley Chou

<b>Historical financial information</b>						
<b>Years ended 30 June</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Income statement (USD'000)</b>						
Total income from ordinary activities	1,873	78,612	379,172	(157,130)	155,809	129,295
Total expenses from ordinary activities	(1,752)	(28,390)	(101,415)	(58,057)	(64,650)	(110,434)
Operating profit from income tax	121	50,222	277,757	(215,187)	91,159	18,861
Income tax expense	-	(245)	(29,574)	13,564	(15,167)	(3,354)
Profit for year	121	49,976	248,183	(201,623)	75,992	15,507
Minority	-	(15,341)	(80,485)	72,194	(27,541)	18,110
Profit attributable to ordinary equity holders	121	34,635	167,698	(129,429)	48,451	(2,603)
<b>Statement of financial position (USD'000)</b>						
Total assets	200,146	71,090	1,228,373	1,097,051	1,269,167	1,318,847
Total liabilities	(1,563)	(112,218)	(43,846)	(436,522)	(587,523)	(646,559)
Net assets	198,583	628,872	804,527	660,529	681,644	672,288
<b>Share information</b>						
Basic earnings per share (cents per share)	0.00	0.12	0.34	(0.26)	0.10	(0.05)
Share price as 30 June	0.98	1.49	1.22	0.68	0.77	0.77
Ordinary share capital (thousand shares)	204,845	499,968	499,968	499,968	499,968	499,968
Market capitalization at 30 June (USD'000)	200,748	744,952	609,960	339,978	384,975	384,975
Net asset value per ordinary share	0.98	1.26	1.61	1.32	1.36	1.34
<b>Ratio</b>						
Return on avg ordinary share holder's funds	0.1%	11.6%	33.5%	-25.9%	9.7%	-1%
Investment management fees/avg NAV	3.6%	7.8%	8.5%	2.0%	2.0%	2%

## 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 and then subject to shareholder vote for continuation

### 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

PricewaterhouseCoopers (Hong Kong)

### Nominated advisor (Nomad)

Grant Thornton Corporate Finance

### Custodian and Administrator

HSBC Trustee

### Brokers

LCF Edmond de Rothschild Securities (Bloomberg: LCFR)

Numis Securities (Bloomberg: NUMI)

### 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 after achieving 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.

## Important Information

This document, and the material contained therein, is not intended as an offer or solicitation for the subscription, purchase or sale of securities in Vietnam Opportunity Fund Limited, VinaLand Limited or Vietnam Infrastructure Limited (each a “Company”). Any investment in any of the Companies must be based solely on the Admission Document of that Company or other offering document issued from time to time by that Company, in accordance with applicable laws.

The material in this document is not intended to provide, and should not be relied on for accounting, legal or tax advice or investment recommendations. Potential investors are advised to independently review and/or obtain independent professional advice and draw their own conclusions regarding the economic benefit and risks of investment in either of the Companies and legal, regulatory, credit, tax and accounting aspects in relation to their particular circumstances.

The securities of the Companies have not been and will not be registered under any securities laws of the United States of America nor any of its territories or possessions or areas subject to its jurisdiction and, absent an exemption, may not be offered for sale or sold to nationals or residents thereof.

No undertaking, representation, warranty or other assurance, express or implied, is given by or on behalf of either of the Companies or VinaCapital Investment Management Limited or any of their respective directors, officers, partners, employees, agents or advisers or any other person as to the accuracy or completeness of the information or opinions contained in this document and no responsibility or liability is accepted by any of them for any such information or opinions or for any errors, omissions, misstatements, negligence or otherwise.

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## VNL Board of Directors

VinaLand Limited (VNL) is led by a Board of Directors composed of a majority of independent non-executive directors.

<b>Nicholas Brooke</b>	Chairman (Independent)
<b>Nicholas Allen</b>	Director (Independent)
<b>Michael Arnold</b>	Director (Independent)
<b>Michel Casselman</b>	Director (Independent)
<b>Stanley Chou</b>	Director (Independent)
<b>Horst Geicke</b>	Director
<b>Charles Isaac</b>	Director (Independent)

## VinaCapital

VinaCapital Investment Management Ltd (VCIM) is the BVI-registered investment manager of VNL.

<b>Don Lam</b>	Chief Executive Officer
<b>Brook Taylor</b>	Chief Operating Officer
<b>David Henry</b>	Managing Director, Real estate
<b>David Blackhall</b>	Deputy Managing Director, Real estate
<b>Jonathan Campbell</b>	Deputy Managing Director, Real estate
<b>Anthony House</b>	Deputy Managing Director, Real estate

### Contact

<b>David Dropsey</b>	Investor Relations/Communications ir@vinacapital.com +848-3821-9930 <a href="http://www.vinacapital.com">www.vinacapital.com</a>
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## VinaLand Limited (VNL)

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<b>Nominated advisor</b>	Grant Thornton Corporate Finance
<b>Auditor</b>	PricewaterhouseCoopers (Hong Kong)
<b>Internal auditor</b>	KPMG (Vietnam)
<b>Custodian and Admin</b>	HSBC Trustee