



# VinaLand Limited

Investment manager's quarterly report 31 March 2013

|   |    |
|---|----|
| <b>Fund update</b>                      | 2  |
| Manager comment                         |    |
| Portfolio data                          |    |
| <b>Market update</b>                    | 5  |
| Macro economy                           |    |
| Real estate market                      |    |
| <b>Top holdings</b>                     | 7  |
| <b>Note on valuation methodology</b>    | 13 |
| <b>Historical financial information</b> | 14 |
| <b>Manager information</b>              | 15 |

## Investment manager's quarterly update 31 March 2013

### 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 Blackhall

### 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

VNL's unaudited net asset value was USD498.5 million or USD1.03 per share as at 31 March 2013. This represents a 1.0 percent decline from an auditor reviewed net asset value per share of USD1.04 as at close of business on 31 December 2012. During Q1 2013, VNL's share price increased 7.7 percent to USD0.42 as at 31 March 2013, from a closing price of USD0.39 as at 31 December 2012. During the period, VNL repurchased and cancelled 1.15 million ordinary shares. As at 31 March 2013, the Company has cancelled a total of 18.1 million ordinary shares, representing 3.62 percent of the total shares in issue prior to the commencement of the share buyback programme.

On 16 January 2013, VNL announced the divestment of its stake in the 30 Nguyen Du property, a small office building located in Hanoi. The Nguyen Du office building is an operating C-grade office building with 2,240 square metres of net leasable area. With the change in the development strategy of VNL in 2011, the property was earmarked as a non-core asset and a buyer was sourced to facilitate an exit. VNL sold its entire 65 percent stake in the project at a valuation 6.5 percent above the current net asset value, resulting in USD3.3 million in net proceeds for the Company. Additional project exits are currently under negotiation between the Manager and prospective investors with the target to close in Q2 2013.

As endorsed by the extraordinary general meeting (EGM) held last November, we are currently working through a range of matters to enhance the Company's corporate governance. As such, the Company's Board of Directors was reduced from seven to five members, with the resignations of Mr. Horst F. Geicke and Mr. Michael Arnold.

### Real estate project revaluations

VNL project revaluations were undertaken for the period ending 31 March 2013 with fourteen projects appraised by international valuation consultants. These projects include: Marie Curie, Pavilion Square, Century 21, Thang Loi, Signature 1, and Trinity Park in HCMC, as well as Pham Hung in Hanoi. Additionally, a further seven hotel projects were also externally re-appraised as part of the aforementioned biannual update for the interim period. The outcome was a downward market value adjustment on half, of the properties while the remainder of the project revaluations were unchanged. This was primarily due to the continued softening in the real estate market during the period and no material changes relating to ongoing illiquidity issues and high interest rates. As a result, VNL's NAV per share declined by USD0.01, driven by the combined effect of these revaluations as well as the audit review and consolidation adjustments conducted during the quarter for the period ending 31 December 2012.

31 March 2013

NAV **1.03** per share (↓1.0% q-o-q)

Total NAV (unaudited): USD498.5 million

### Performance summary

|                     | 31 Mar 2013 | Cumulative change: |        |        |
|---------------------|-------------|--------------------|--------|--------|
|                     |             | 3mth               | 1yr    | 3yr    |
| NAV per share       | 1.03        | -1.0%              | -10.8% | -24.5% |
| Share price         | 0.42        | 10.1%              | -28.2% | -52.1% |
| Premium/ (Discount) | (59.0%)     |                    |        |        |
| Market cap          | 202.4m      |                    |        |        |
| Total NAV           | 498.5m      |                    |        |        |

### Other information

|                    |                            |
|--------------------|----------------------------|
| Shares outstanding | 481,848,227                |
| Fundraisings       | 198m in 2006; 395m in 2007 |

### Portfolio summary

|                |   |
|----------------|---|
| Current assets | 35  |
| Divestments    | 11 full, 1 partial and residential unit sales       |
| Debt level     | Fund: Nil                      Projects: 16% of NAV |
| Cash balance   | Fund: USD2.7m                                       |

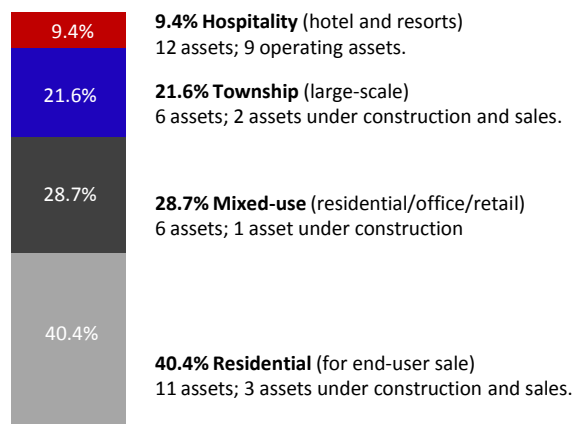
### Performance history (% change on NAV)

|     | 2013 | 2012 | 2011  | 2010 | 2009  | 2008 |
|-----|------|------|-------|------|-------|------|
| Q1  | -1.0 | -1.7 | 0.7   | 3.0  | -3.3  | 12.5 |
| Q2  |      | -1.7 | -2.2  | -0.7 | -9.0  | 9.4  |
| Q3  |      | -2.6 | 0.7   | 3.7  | -0.8  | -2.5 |
| Q4  |      | -3.6 | -12.6 | -3.5 | 1.5   | -4.5 |
| YTD |      | -9.4 | -13.2 | 2.3  | -11.3 | 14.8 |

### Top holdings (31 Mar 13)\*

| Project               | Location | Type        | NAV%         |
|-----------------------|----------|-------------|--------------|
| Century 21            | South    | Residential | 13.2%        |
| Danang Beach Resort   | Central  | Residential | 12.0%        |
| Pavilion Square       | South    | Mixed-use   | 7.8%         |
| Dai Phuoc Lotus       | South    | Township    | 6.9%         |
| VinaSquare            | South    | Mixed-use   | 6.2%         |
| Times Square Hanoi    | North    | Mixed-use   | 5.7%         |
| My Gia                | Central  | Township    | 4.8%         |
| Aqua City             | South    | Township    | 4.6%         |
| Trinity Park          | South    | Residential | 4.3%         |
| World Trade Centre    | Central  | Mixed-use   | 4.1%         |
| <b>Top 10 assets:</b> |          |             | <b>69.6%</b> |

### Portfolio by sector (31 Mar 13)\*



Total: 35 assets

### Projects pending final investment licensing (31 Mar 13)\*

| Project           | Location | Type        | Site Area (ha) |
|-------------------|----------|-------------|----------------|
| Long An           | South    | Township    | 1,780          |
| Vung Bau          | South    | Hospitality | 238            |
| Trinity Park      | South    | Residential | 34             |
| Green Park Estate | South    | Mixed-use   | 16             |
| Long Truong       | South    | Residential | 20             |
| Hao Khang         | South    | Residential | 5              |

Total: 6 assets representing NAV of USD61m

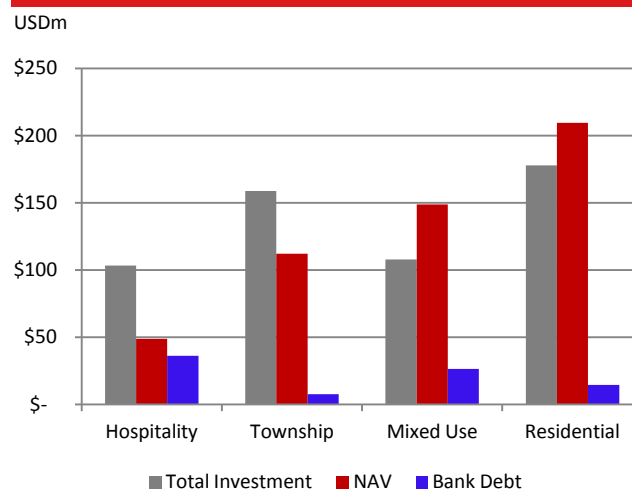
### Portfolio breakdown (31 Mar 13)\*

| Portfolio by geographic location | NAV%  |
|----------------------------------|-------|
| Hanoi region                     | 8.2%  |
| Central region                   | 27.3% |
| Ho Chi Minh City region          | 64.5% |
| Valuation breakdown              |       |
| Assets not yet revalued **       | 9.8%  |
| Assets revalued                  | 90.2% |
| Development status               |       |
| Land banking                     | 5.6%  |
| Planning stage                   | 57.5% |
| Development stage                | 30.4% |
| Operating assets                 | 6.5%  |

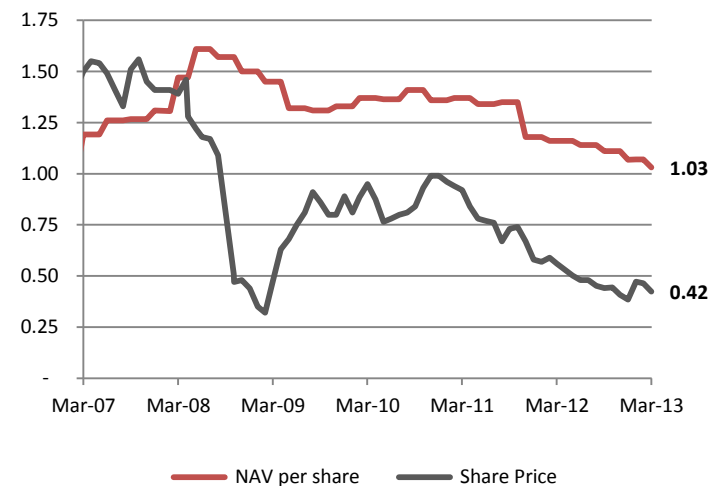
\* All NAV and NAV per share data is calculated on a quarterly basis

\*\* held at cost or below cost

### NAV by sector (31 Mar 13)\*



### NAV and share price performance (31 Mar 13)



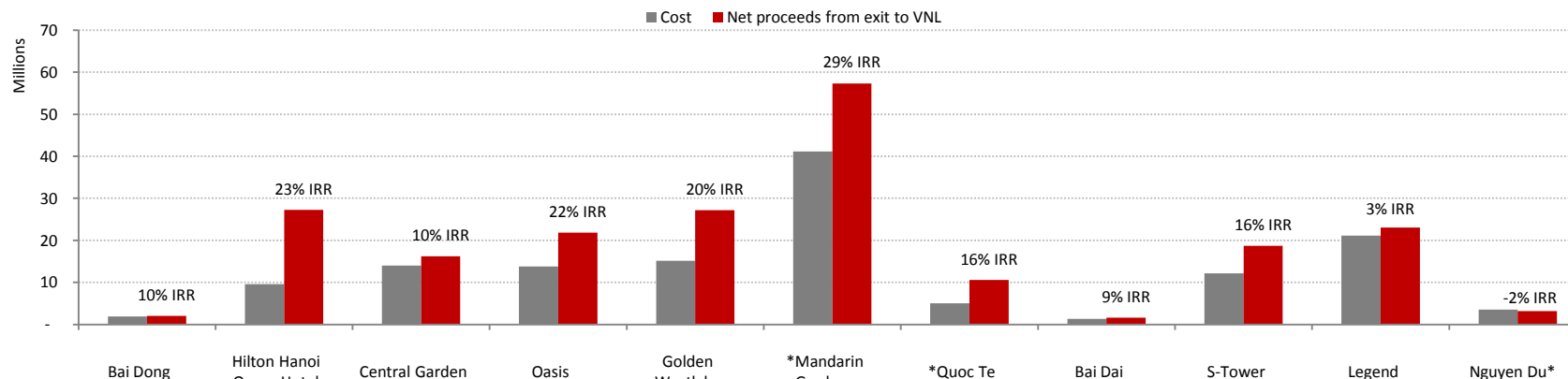
## VNL strategy

**Background:** VNL from 2006-2009 invested in a total of 46 real estate projects across the major urban centres of Vietnam, including operating hotels, residential, retail, office, mixed-use and township/land banking projects. The Fund has since divested 11 projects and holds 35 projects as at 31 March 2013. Following the acquisition phase, VNL focused on obtaining investment licences and development approvals for its projects to add value to its land and development projects.

**Current strategy:** VNL is now in a cash return period and will not make any investments, except where funds are required for existing projects. The Fund will seek to realise assets in the existing portfolio and continue with the development of selected projects to maximize value. The two primary means of divestment have been via the development of residential for-sale products (apartments and landed property) to Vietnamese homebuyers and the divestment of land or projects under development to local and foreign investors. However, both forms of exit have become increasingly challenging over the past twelve months as buyers have withdrawn from the market. VNL's strategy remains to continue, albeit at a slower pace, with a small number of landed property developments where the market is still supportive. Additionally, by pushing forward with some selected developments, VNL is able to demonstrate to investors/sub-developers that the projects are viable developments and are excellent medium term opportunities to gain exposure in the Vietnam property market. Complete divestment of assets is also an option including VNL's operating hotels and mature assets, where a sale at current market value will result in a higher IRR than holding or continuing to develop the asset. Mixed-use commercial city-centre developments will only proceed following a pre-commitment from anchor tenants and/or equity co-investors. VNL will not start development without securing a new investor or obtaining debt at an acceptable cost.

A share buyback programme was initiated in October 2011 and is continuing following feedback from investors that it is the most appropriate method of providing distributions at this time. All shares purchased are cancelled. The buyback program is ongoing and executed at the discretion of the VNL Board.

## VNL projects fully divested



|                      | Bai Dong | Hilton Hanoi Opera Hotel | Central Garden | Oasis | Golden Westlake | *Mandarin Gardens | *Quoc Te | Bai Dai | S-Tower | Legend | Nguyen Du* | Total |
|----------------------|----------|--------------------------|----------------|-------|-----------------|-------------------|----------|---------|---------|--------|------------|-------|
| NAV at exit          | 2.8      | 33.8                     | 11.0           | 13.4  | 29.2            | 49.2              | 8.6      | 1.0     | 16.1    | 19.5   | 3.0        | 191.1 |
| Net proceeds to VNL  | 2.1      | 27.2                     | 13.3           | 21.8  | 27.2            | 57.3              | 10.6     | 1.6     | 18.7    | 23.1   | 3.2        | 208.9 |
| Net proceeds vs. NAV | -27%     | -19%                     | 21%            | 63%   | -7%             | 17%               | 23%      | 56%     | 16%     | 18%    | 7%         | 9%    |

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

Cash out and Net proceeds includes all transfers of money between the fund and project companies, including dividends, shareholder loans, and capital contributions. NAV at exit is taken as the quarterly NAV prior to the exit date.

\* Pending receipt of final payment. IRR calculation based on projected cash flows.

Updated IRR for Legend due to dividend payments and for Quoc Te, Bai Dai due to updated cash flow projections.

Vietnam's consumer price index slowed to an annual increase rate of 6.6 percent during 1Q 2013.

Q1 2013 GDP growth slowed to 4.9 percent and was mostly attributable to exports.

Vietnam recorded a trade surplus of USD500 million during the period.

Vietnam's currency remained stable at approximately VND20,900 per USD.

## Macroeconomic update

Vietnam's consumer price index (CPI) slowed to 6.6 percent in the first quarter, on a year-on-year basis, mainly attributable to food and foodstuff prices increasing just 1.8 percent during the same period. In March, the State Bank of Vietnam (SBV) cut main policy rates by 100bps, therefore, the refinance and discount rates have been lowered to 8.0 and 6.0 percent, respectively, while caps on deposit rates were lowered to 7.0 percent. This is a signal that the central bank is continuing to support the economy by stimulating growth.

First quarter GDP figures showed that the Vietnamese economy expanded by 4.9 percent, mainly driven by exports. The foreign direct investment sector continues to be an important driver of growth as the government implements policies to improve domestic demand. During the quarter, foreign direct investment disbursement figures reached USD2.7 billion. Additionally, registered capital soared to USD6.0 billion in 1Q 2013, mainly as a result of a commitment of USD2.8 billion for the Nghi Son oil refinery and USD2.0 billion for a new Samsung factory in Thai Nguyen. Japan remained the largest investor out of 31 countries and territories investing in Vietnam in the first quarter, having newly registered and expanded capital of over USD3.2 billion.

According to the General Statistics Office (GSO), Vietnam's trade deficit in March was approximately USD300 million. However, for the first three months of the year, the country recorded a trade surplus of nearly USD500 million based on USD29.7 billion of exports. Many exported commodities, including seafood, coffee, crude oil, wood and wooden products, garments and footwear, recorded an export turnover of over USD1.0 billion in Q1 2013.

In March, the SBV also demonstrated its ability to stabilise the foreign exchange market following the disturbance caused by an increase in demand for USD to cover imports during February's lunar holiday season. The SBV intervened by selling sufficient official dollar reserves to maintain the longstanding exchange rate of approximately VND20,900 per USD.

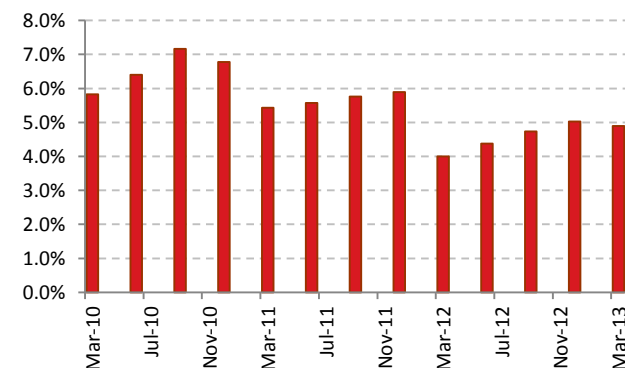
## Macro-economic indicators and forecast

|   | 2012   | Q1 2013 | YTD  | Y-o-Y change |
|---|--------|---------|------|--------------|
| <b>GDP growth<sup>1</sup></b>                 | 5.0%   | 4.9%    | 4.9% | -            |
| <b>Inflation</b>                              | 6.8%   | 2.4%    | 2.4% | 6.6%         |
| <b>FDI</b><br>(USDbn)                         | 13.0   | 6.0     | 6.0  | 63.6%        |
| <b>Imports</b><br>(USDbn)                     | 114.3  | 29.2    | 29.2 | -32.9%       |
| <b>Exports<sup>2</sup></b><br>(USDbn)         | 114.6  | 29.7    | 29.7 | -30.8%       |
| <b>Trade surplus/(deficit)</b><br>(USDbn)     | 0.3    | 0.5     | 0.5  | -16.7%       |
| <b>Exchange rate<sup>3</sup></b><br>(USD/VND) | 20,855 | 20,960  | 0.3% | 0.2%         |
| <b>Bank deposit rate</b><br>(VND, %)          | 8.0%   | 7.0%    | 0.0% | -41.7%       |

Sources: GSO, SBV, VCB.

<sup>1</sup> Annualized rate, updated quarterly. <sup>2</sup> Includes gold. <sup>3</sup> Vietcombank ask rate

## Quarterly GDP growth



Source: GSO

## Real estate market

**The government has taken several measures during Q1 2013 to support the real estate market.**

The first quarter of 2013 witnessed the introduction of several new government policies to support the property market. In March, the SBV issued a draft circular to provide VND30,000 billion (USD1.4 billion) to support low interest loans for low income home buyers and developers. Short-term VND deposit rate caps were also reduced from 8.0 to 7.0 percent in an effort to divert some consumer savings into properties. The proposed establishment of a state-led asset management company (VAMC) to deal with non-performing loans (NPLs) in the banking system has not been approved, given further refinements are required from related ministries and government bodies. While the government is continuing to finalise an effective solution, NPLs continue to impact commercial banks negatively and hinder their ability to lend or reduce interest rates. As a result, lending rates are still sitting at around 15.0 percent for real estate related loans, resulting in an extremely challenging environment for financing and re-financing of real estate projects. However, we believe these initiatives are not likely to be adequate enough to materially improve the current property market. The Manager is currently working with several local banks to renegotiate existing project bank loans in addition to exploring alternative offshore debt facilities that could either be based on project companies or a facility at Fund level.

**Condominium sales are expected to remain muted for 2013.**

According to Jones Lang LaSalle and CB Richard Ellis (CBRE), the residential sector experienced some improvement in demand volume during the previous quarter; however, selling prices continued to either fall or remain flat at best. The majority of the apartment and landed home units purchased were lower/mid market and either completed or were scheduled to be handed over during 2013. Prices have been under pressure as developers compete across most sub sectors, causing many to continue to offer various incentives to stimulate demand. For the full year, condominium sales are expected to remain slow across the country with completed projects faring slightly better. There is growing interest in the affordable and mid-end segments (USD600 - USD1,000 per sqm) and it is expected that more products in these segments will be introduced later this year. Despite the decline in interest rates, market liquidity will take time to improve and enforce a positive impact on residential sales.

**Landed property is expected to stabilise and recover quicker than condominiums.**

In both primary and secondary markets, prices of villas and townhouses are still trending down and sales rates are slow. It is expected that the landed property sector will recover faster than the condominium sector given Vietnamese buyers generally prefer landed houses. Demand remains steady for the medium priced villa market (including bare shell products), especially for good quality projects with reputable developers, good quality, and a good living environment with green space and amenities. While some developers have been able to sell units and hold prices firm, others have reduced prices or changed their sales strategy. Additionally, land plot projects are gaining more interest due to their affordability.

**Foreign retailers remain interested in Vietnam.**

New concept or strategically located retail centres such as Vincom Center A and Pandora City in Ho Chi Minh (HCMC) are still attracting tenants. Consistent leasing activity throughout new projects has slightly increased occupancy rates within the central business district (CBD). Despite the difficult economic conditions which have impacted consumer spending over the past 12 months, Vietnam still offers favorable demographics and rising consumer disposable incomes, which have maintained the interest of large foreign retail brands waiting to enter the market. Food and beverage, daily necessities, and entertainment related retailers are expected to continue driving the market in 2013.

**Hotels: Local investors expected to be more active in buying luxury brand hotels.**

The number of foreigners travelling to Vietnam totalled 1.8 million in Q1 2013, a 6.2 percent decline compared to the same period last year, impacted by tighter travelling budgets due to the persistent global economic slowdown. Nevertheless, CBRE expects that more international hotel brands will enter the market in 2013. They believe several merger and acquisition deals could occur, especially in the luxury segment, with local investors potentially being more active than foreign companies. Hotels situated in prime locations such as the CBD areas of Hanoi and HCMC are expected to see an improvement in their daily rates from 2012.

| 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 | 75.0%         | 25.0%         | 30.1           | 13.2%        | 68.3          | -                             | 0.8  | Planning / licensing underway                           |
| 2   | Danang Beach Resort | Central  | Residential | 75.0%         | 25.0%         | 260.0          | 12.0%        | 62.2          | 13.8                          | 3.0  | Construction and sales underway                         |
| 3   | Pavilion Square     | South    | Mixed Use   | 90.0%         | 0.0%          | 1.5            | 7.8%         | 40.3          | 17.0                          | 7.0  | Land compensation underway                              |
| 4   | Dai Phuoc Lotus     | South    | Township    | 54.0%         | 18.0%         | 200.7          | 6.9%         | 35.8          | -                             | 4.2  | Construction and sales underway                         |
| 5   | VinaSquare          | South    | Mixed Use   | 46.5%         | 15.5%         | 3.1            | 6.2%         | 32.1          | -                             | 0.7  | Planning / licensing underway                           |
| 6   | Times Square Hanoi  | North    | Mixed Use   | 65.0%         | 0.0%          | 4.0            | 5.7%         | 29.6          | -                             | -  | Planning / structuring underway                         |
| 7   | My Gia Township     | Central  | Township    | 53.3%         | 17.8%         | 158.0          | 4.8%         | 24.9          | 7.5                           | 3.7  | Construction and sales underway                         |
| 8   | Aqua City           | South    | Township    | 40.0%         | 0.0%          | 250.2          | 4.6%         | 23.9          | -                             | 0.1  | Land bank - Planning/ basic infrastructure              |
| 9   | Trinity Park        | South    | Residential | 75.0%         | 25.0%         | 33.7           | 4.3%         | 22.5          | -                             | 1.1  | Planning/ licensing (partial exit negotiations ongoing) |
| 10  | World Trade Centre  | Central  | Mixed Use   | 61.0%         | 20.3%         | 9.0            | 4.1%         | 21.3          | 10.9                          | 12.1   | Construction and sales underway                         |
| Total of top 10 Investments (USD million) |                     |          |             |               |               |                | 69.6%        | 361.1         | 49.1                          | 32.7   |   |
| Remaining Investments (USD million)       |                     |          |             |               |               |                | 30.4%        | 157.8         | 37.6                          | 10.9   |   |
| Total portfolio (USD million)             |                     |          |             |               |               |                | 100.0%       | 518.9         | 86.7                          | 43.6   |   |

- 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 with a value of USD 68m**

## Century 21

Century 21 was acquired in 2006 because of its prime 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. The project site is 100% compensated and cleared. In Q4 2011, the Century 21 Nam Rach Chiec project received a 1:500 Master planning parameters approval and Investment License. The revised master plan which converts a portion of condominium land to more commercial land was approved in principle by the Ho Chi Minh City's People's Committee in December 2012. The detailed 1:500 Master plan is to be submitted in Q2 2013 with expected approval in Q3 2013.

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. Negotiations are ongoing with an international school operator to lease completed school facilities as well as with Japanese and Korean retail investors to divest the commercial site.

## Project summary

|                             |  |
|-----------------------------|--|
| <b>Sector</b>               | Residential (24ha) and commercial (6ha)  |
| <b>Area</b>                 | 30.1ha; approved GFA 526,778 sqm   |
| <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 in Dec 2011.</li> <li>Revised master plan approved by DPA and principally approved by HCMC People's Committee</li> <li>Detailed master plan to be submitted in Q2 2013. Approval expected in Q3 2013.</li> </ul> |
| <b>Investment rationale</b> | A 30ha site located along new infrastructure corridor in a new desirable suburban area.  |



**VNL holds a 75% stake in Danang Beach Resort with a value of USD 62m**

## Danang Beach Resort

The 260ha site comprising two parcels, a 50ha beachfront and a 210ha inland lot separated by the coastal highway, was acquired in mid 2006. The project broke ground in Jan 2008 with construction of an 18-hole golf course, The Dunes Course, designed by internationally renowned golf legend 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 projects have been developed and achieved good early sales, including The Ocean Villas, The Cham Condominium, The Dune Residences, Norman Estates and the Point Residences.

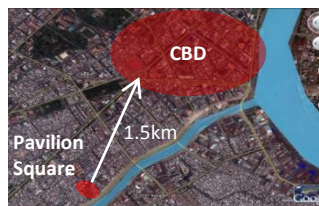
In Q1 2013, sales were very challenging due to the depressed market and low real estate buyer confidence. In addition to sales, the development team has also focused on managing villa handovers and revenue collections. To date, 72.0 percent of the 198 villas launched have been sold per the following breakdown: Ocean Villas: 93 of 93 sold, Beach Front: 10 of 17 sold, Dunes Residences: 12 of 15 sold, The Point: 23 of 40 reserved with deposit.

The continuing strategy is to proceed with full sale of remaining villa stock, and seek investment partners for a partial or full exit of future development parcels.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Residential (integrated resort residential).  |
| <b>Area</b>                 | 260.0ha   |
| <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 2006. Ground breaking in Jan 2008</li> <li>Dunes Golf course opened in Apr 2010</li> <li>Beach resort parcel: 1:500 master plan in June 2011</li> <li>Golf course parcel: 1:500 revised master plan in Dec 2012</li> </ul> |
| <b>Investment rationale</b> | Unique mixed used, seaside integrated resort with golf course well located along the coastal road of Danang City, the third largest city in Vietnam. Plan to develop a golf course and other amenities to assist with marketing of residential property.  |





**VNL holds a 90% stake in Pavilion Square with a value of USD 40m**

## Pavilion Square

Located in District 1 of Ho Chi Minh City, this mid to higher-end 'for sale' freehold residential project with a retail centre is situated in the city centre. Site compensation is underway and approximately 62 percent complete. Clearance has proven to be an issue and has significantly delayed the progress of this project. Over the last quarter, some progress has been made in obtaining clearance and planning approvals. VNL expects to complete compensation by Q4 2013. The revised planning parameters with a smaller retail area were approved by the authorities in December 2012 and the revised 1:500 Master plan is to be submitted.

Following the expected completion of compensation for the residential parcel and market improvement, VNL will commence pre-sales of the apartment complex. However, this will be reliant on adequate cash flow and completed pre-sales. Additionally, the Fund will seek to divest the retail component of the project. Sourcing potential investors is currently underway however proving to be very difficult at this time. VNL will not begin construction until the market conditions improve and cost of debt reduces to an acceptable level.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Mixed-use (residential and retail).   |
| <b>Area</b>                 | 1.4ha; approved GFA 162,199 sqm   |
| <b>Location</b>             | District 1, HCM City.   |
| <b>History</b>              | <ul style="list-style-type: none"> <li>Acquired in Jan 2007; Investment Licence received in 2007.</li> <li>Compensation 62% completed. Expected completion of compensation in Q4 2013.</li> <li>Revised planning parameters approved in Dec 2012. Revised 1:500 master plan to be submitted.</li> </ul> |
| <b>Investment rationale</b> | The site is well-located for mid high end residential towers with modern facilities offering freehold residential units.  |



**VNL holds a 54% stake in Dai Phuoc Lotus with a value of USD 36m**

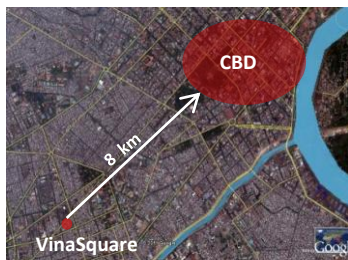
## Dai Phuoc Lotus

Dai Phuoc Lotus Township was acquired due to its attractive location on an island in a future suburban region adjacent to Ho Chi Minh City. The resort residential environment, with transport by both road and boat available to Ho Chi Minh City, will attract second homebuyers as well as young families. The first phase of development commenced with Zone 5, comprising 332 villas. Soft sales began in April 2010 with an official sales launch in April 2011 together with the opening of the show villas.

The strategy is to develop the first of six zones of the 200ha site over a period of five to seven years, in conjunction with partial wholesale divestment to co-investors. To date 72 percent (169 of 235) of the villas released have been sold. The first 66 villas have been handed over to buyers. Sales have however, slowed considerably as the overall market for residential real estate continued to soften during the quarter. The construction phase is flexible in that it can be slowed down in line with selling rates. To help bolster unit sales, construction of the sports and recreation centre has commenced with Phase 1 due for completion by end of Q2 2013.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Township (integrated residential)   |
| <b>Area</b>                 | 200.7ha, approved GFA 1,758,975 sqm   |
| <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>Construction and sales of Zone 5 townhouses underway.</li> <li>Master plan of marina club completed. Sports and recreational facilities under construction with Phase 1 due for completion by end Q2 2013.</li> </ul> |
| <b>Investment rationale</b> | The site lies in the fast-growing eastern region adjacent to Ho Chi Minh City and will benefit from the completed transport infrastructure roll-out in District 2 and 9.  |



VNL holds a 46.5% stake in VinaSquare with a value of USD 32m

## VinaSquare

VinaSquare was acquired in 2007 due to its prime location in Chinatown (District 5) of Ho Chi Minh City and the ability to enter into a joint venture with a state-owned enterprise that owned the land. The project is a mixed-use residential, retail, hotel and serviced apartment development. The Investment License was obtained in Oct 2008 and the Land Use Right certificate received in Feb 2009. Demolition of the old factory buildings was completed in Q4 2011. Currently the site is fully cleared and a site office has been in place since April 2012. Transfer of the Land Use Right to the JV company is undergoing. Application for basic design approval of the residential portion has been submitted to the authority with an expected approval by Q3 2013.

Due to market conditions, a soft-sales launch has been put on hold. The development will not commence on the residential portion until the market improves and/or an equity partner is secured to jointly develop. Discussions are underway with potential investors seeking to take a stake in this development project.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Mixed-use (residential, retail, office and hotel).  |
| <b>Area</b>                 | 3.1ha; estimated GFA 278,748 sqm.   |
| <b>Location</b>             | District 5, HCM City.   |
| <b>History</b>              | <ul style="list-style-type: none"> <li>Acquired in May 2007; Investment Licence received in Oct 2008; Land Use Right received in Feb 2009.</li> <li>1:500 Master plan approved in Oct 2010.</li> <li>Demolition of factory buildings completed in Q4 2011.</li> <li>Application of basic design submitted with expected approval in Q3 2013.</li> </ul> |
| <b>Investment rationale</b> | The project will serve Ho Chi Minh City's Chinatown, a crowded commercial and residential area surrounded by mainly low-rise buildings.   |



VNL holds a 65% stake in Times Square Hanoi with a value of USD 30m

## Times Square Hanoi

The site is positioned in a strategic location with excellent exposure opposite the National Convention and Exhibition 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 as 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 recent changes in the administrative framework for the area surrounding Times Square, a new planning certificate is now required and the revised master plan is to be re-submitted. Approval for the revised master plan is expected in Q3 2013. Licensing delays coupled with a slow property market have pushed back the commencement and a new strategy is now in place.

This development will comprise a regional shopping centre, a 24-storey office building, a 240-key hotel/serviced apartment building, and three 54-58 storey residential towers totaling over 1,900 apartments. The strategy is to secure a long-term commitment from an international retail mall operator and seek to divest all or part of this land parcel to facilitate an early exit. Discussions with several foreign retail groups are ongoing for partial or full exit of this project.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Mixed-use (residential, retail, hotel and office)   |
| <b>Area</b>                 | 4.0ha, estimated GFA 350,000 sqm  |
| <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>1:500 Master plan approved in Mar 2010. New planning certificate required and revised master plan to be re-submitted. Expected approval in Q3 2013.</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.   |



**VNL holds a 53.3% stake in My Gia with a value of USD 25m**

## My Gia Township

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 pricing.

The first phase of the project commenced with Parcel 2 (28.5ha) approved for 1,405 land lots. Currently, landfill work on Parcel 2 is 95 percent complete. Infrastructure construction began in April 2011, with phase 1 completed recently. The revised master plan with larger areas allocated for townhouses was approved in August 2012. The Land Use Right (LUR) certificate for parcels 1 through 5 will be available in Q2 2013.

In Q1 2013, 15 new sales were closed with majority being sold during January. This is the result of several marketing activities at year end and around the Vietnamese Tet holiday. In conjunction with sales, the project team has also focused on managing progress payments and contract terminations. To date, 495 of 730 land plots launched (68 percent) have been sold. The strategy is to proceed slowly with development and sales in Parcel 2 and divest the remaining parcels.

## Project summary

|                             |  |
|-----------------------------|--|
| <b>Sector</b>               | Township   |
| <b>Area</b>                 | 158.0ha  |
| <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 95% compensated. Construction permit received for Parcel 2.</li> <li>Sales launched in Dec 2010.</li> <li>Revised 1:500 Master plan approved in Aug 2012.</li> </ul> |
| <b>Investment rationale</b> | The first modern township site in Nha Trang, a fast-growing tourism destination.   |



**VNL holds a 40% stake in Aqua City with a value of USD 24m**

## Aqua City

The project was purchased in 2006 as a strategic acquisition along the North East corridor leading to the new Long Thanh international airport in Dong Nai. The site is part of an emerging industrial park zone, which is surrounded by the Dong Nai River, approximately 45 minutes from the centre of Ho Chi Minh City.

Since acquisition, VNL has been working with a local partner to construct the main access roads to the site, but further road work is required. In February 2012, VNL received the 1:500 Master plan approval. The current ownership structure is now under review and if successful, VNL could acquire 100 percent ownership of a reduced portion of the original 250ha joint venture development to a land area of 125ha. The demerger plan has been agreed and will be implemented in the next quarter. The design for the earthworks has been completed and once restructuring is finalised, preliminary earthworks could begin for basic infrastructure, but will be dependent on current market conditions.

The development master plan includes affordable housing, schools, hotels, offices and shopping centres in addition to a marina, parks and waterways. VNL is also seeking an investment partner or sub-developer to join this project.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Township (residential, retail, office and hotel)  |
| <b>Area</b>                 | 250.2ha   |
| <b>Location</b>             | Dong Nai Province, bordering on District 9 of HCMC  |
| <b>History</b>              | <ul style="list-style-type: none"> <li>Acquired in 2006</li> <li>Pre-Investment Licence received in Apr 2008</li> <li>1:2000 Masterplan approved in Dec 2008</li> <li>1:500 Masterplan approved in Feb 2012</li> <li>Partially cleared and compensated site</li> <li>LUR obtained for 83ha residential and 16ha public and commercial land</li> </ul> |
| <b>Investment rationale</b> | Riverfront township bordering on District 9 of HCMC. The project will provide affordable mass housing units in a modern living township to serve the extended catchment of HCMC's north east area.  |



**VNL holds a 75% stake in Trinity Park with a value of USD 23m**

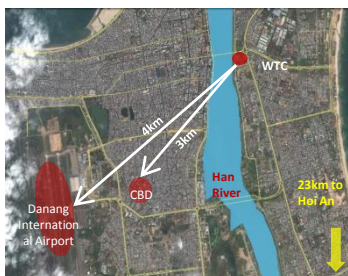
## Trinity Park

Formerly called HUD Dong Tang Long, this site was acquired in 2007 in order to serve the high demand in Ho Chi Minh City for mid-range housing, and in 2012 the strategy remains the same. The project's planning will follow the successful sales and exit from The Garland villa project, a smaller VNL development also located in District 9. Ownership of the project was restructured so that VNL and VOF have a combined 100 percent stake.

The 1:500 Master plan was approved in May 2007. Basic infrastructure on site has helped to facilitate the separation of land use rights for the parcel. VNL is planning to commence infrastructure works in Q3 2013 which will take approximately six to twelve months, in order to obtain the Land Use Right Certificate (LURC). This time period will also allow the development team to assess the market before launching any low rise residential product. VNL is currently in discussions with two potential co-investors to provide equity and become a joint venture partner for this development.

## Project summary

|                             |   |
|-----------------------------|---|
| <b>Sector</b>               | Residential (including school).   |
| <b>Area</b>                 | 33.7ha, estimated GFA 343,058 sqm   |
| <b>Location</b>             | District 9, Ho Chi Minh City.   |
| <b>History</b>              | <ul style="list-style-type: none"> <li>Acquired in Nov 2007. 1:500 master plan approved in May 2007</li> <li>Site is cleared and fully compensated. Infrastructure works planned to commence in Q3 2013.</li> <li>Upon issuance of LURC, Investment Licence will be submitted.</li> </ul> |
| <b>Investment rationale</b> | Sound long-term demand for mid-range, landed residential housing in District 9, following the success of The Garland product.   |



**VNL holds a 61% stake in World Trade Center Danang with a value of USD 21m**

## World Trade Center

The project was acquired in 2006 given its central, river front location in the fast growing city of Danang. The project comprises residential apartment towers, a 4/5 star hotel or serviced apartment complex, a retail mall and other commercial uses. The plans allow for high quality public open space within the development site, which will link up with 17,000 sqm of riverside boardwalk. The project was partially exited in 2007 via a co-investment with a European investor for a portion of Phase 1 (2.5ha). In 2009, the project broke ground on the first residential tower, Azura. The Azura Tower reached completion in September 2012 with only 30% apartments sold due to the stagnant real estate market since 2011.

The revised master plan of Phase 1 which comprises more residential areas was approved in Aug 2012, and company restructuring process to split the 9ha site into 3 separate investment licenses was successfully completed in August 2012, allowing greater flexibility in development or divestment. Since completion, the Azura project has seen a marked increase in sales activity. In Q1 2013, nine new sales were closed, taking total sales to 83 out of 225 units launched (37.0 percent). Additionally, the Azura apartments have also been marketed for long term lease and 19 apartments have now been leased since completion.

Future projects on the WTC site have been placed on hold due to the slow real estate market, and lack of market liquidity to fund projects. VNL is currently negotiating divestment opportunities on select land parcels within the project.

## Project summary

|                             |  |
|-----------------------------|--|
| <b>Sector</b>               | Mixed-use (commercial and residential)   |
| <b>Area</b>                 | 9.0ha; approved GFA 519,000sq.m.   |
| <b>Location</b>             | Danang City, on the 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.</li> <li>Phase 1 (2.5ha) partially exited with a European investor in 2008. Revised master plan of Phase 1 approved in Aug 2012.</li> <li>Azura residential apartment tower completed Sep 2012, and currently 45% apartments sold or leased.</li> <li>Retail Centre planned for Phase 2 on hold.</li> <li>Currently negotiating divestment of selected land parcels within the project.</li> </ul> |
| <b>Investment rationale</b> | Prime site location in the City Centre of Danang City, with direct frontage to the Han River, 5 minutes drive to East Sea beach  |

**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 31 December 2011.

**More information on valuation is available on the Information briefs page of the VNL website: [VNL Information briefs](#)**

## **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 (Chairman)  
Charles Isaac  
Nicholas Brooke

### *VNL Valuation Committee*

Nicholas Brooke (Chairman)  
Nicholas Allen  
Stanley Chou

### Historical financial information

| Years ended 30 June                              | 2008      | 2009      | 2010 (*)  | 2011 (*)  | 2012      |
|--|-----------|-----------|-----------|-----------|-----------|
| <b>Statement of Income (USD'000)</b>             |           |           |           |           |           |
| Total income from ordinary activities            | 379,172   | -157,130  | 143,293   | 154,278   | -42,696   |
| Total expenses from ordinary activities          | -101,415  | -58,057   | -64,650   | -110,434  | -98,304   |
| Operating profit before income tax               | 277,757   | -215,187  | 78,643    | 43,844    | -141,000  |
| Income tax expense                               | -29,574   | 13,564    | -11,190   | -3,354    | -8474     |
| Profit for the year                              | 248,183   | -201,623  | 67,453    | 40,490    | -149,474  |
| Minority interests                               | -80,485   | 72,194    | 17,754    | 25,747    | -50585    |
| Profit attributable to ordinary equity holders   | 167,698   | -129,429  | 49,699    | 14,743    | -98,889   |
| <b>Statement of financial position (USD'000)</b> |           |           |           |           |           |
| Total assets                                     | 1,228,373 | 1,097,051 | 1,260,218 | 1,318,847 | 1,134,262 |
| Total liabilities                                | -43,846   | -436,522  | -587,523  | -655,508  | -587,914  |
| Net assets                                       | 804,527   | 660,529   | 672,695   | 663,339   | 546,348   |
| <b>Share information</b>                         |           |           |           |           |           |
| Basic earnings per share (cents per share)       | 0.34      | -0.26     | 0.1       | 0.03      | -0.2      |
| Share price as 30 June                           | 1.22      | 0.68      | 0.77      | 0.77      | 0.48      |
| Ordinary share capital (thousand shares)         | 499,968   | 499,968   | 499,968   | 499,968   | 493,488   |
| Market capitalization at 30 June (USD'000)       | 609,960   | 339,978   | 384,975   | 384,975   | 236,874   |
| Net asset value per ordinary share (USD)         | 1.61      | 1.32      | 1.35      | 1.33      | 1.11      |
| <b>Ratio</b>                                     |           |           |           |           |           |
| Return on average ordinary shareholder's funds   | 33.50%    | -25.90%   | 9.90%     | 2.90%     | -16.8%    |
| Total expense ratio (% of NAV)                   | 2.38%     | 2.31%     | 2.36%     | 2%        | 2.39%     |

(\*) Restatement of 30 June 2010 and 30 June 2011 figures, please refer to note 2.30 of the consolidated financial statements for the year ended 30 June 2012 for reference.

### 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, new three year term commenced 21 November 2012.

#### Term of fund

Originally seven years, but now subject to shareholder vote for continuation every three years.

#### 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 adviser (Nomad)

Grant Thornton Corporate Finance

#### Custodian and Administrator

HSBC Trustee

#### Brokers

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 fixed at USD8.25 million per annum until 22 November 2013, reducing each year thereafter until 22 November 2015. No performance fees, but the recovery of the accrued performance fee is linked to distributions to shareholders.

**Investment manager:** VinaCapital Investment Management Ltd

**Investment policy:** The Fund is now in a cash return period and will not make any investments, except where funds are required for existing projects. The Fund will seek to realise assets in the existing portfolio and continue with the development of selected projects to maximize value.

**Investment focus by geography:** All existing investments are located in Vietnam. There will be no new investments during the current cash return period.

## 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 VinaCapital 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.

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No warranty is given, in whole or in part, regarding the performance of either of the Companies. There is no guarantee that investment objectives of any of the three Companies will be achieved. Potential investors should be aware that past performance may not necessarily be repeated in the future. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

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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>Michel Casselman</b> | Director (Independent) |
| <b>Stanley Chou</b>     | Director (Independent) |
| <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 Blackhall</b> | Managing Director, Real estate        |
| <b>Anthony House</b>   | Deputy Managing Director, Real estate |

### Contact

|                      |   |
|----------------------|---|
| <b>David Dropsey</b> | Investor Relations/Communications<br>ir@vinacapital.com<br>+848-3821-9930<br><a href="http://www.vinacapital.com">www.vinacapital.com</a> |
|----------------------|---|

## VinaLand Limited (VNL)

|                            |  |
|----------------------------|--|
| <b>Brokers</b>             | Edmond de Rothschild Securities<br>+44 (0)20 7845 5960 or <a href="mailto:funds@lcf.co.uk">funds@lcf.co.uk</a><br><br>Numis Securities<br>+ 44 (0)20 7260 1327, <a href="http://www.numiscorp.com">www.numiscorp.com</a> |
| <b>Nominated adviser</b>   | Grant Thornton Corporate Finance   |
| <b>Auditor</b>             | PricewaterhouseCoopers (Hong Kong)   |
| <b>Internal auditor</b>    | KPMG (Vietnam)   |
| <b>Custodian and Admin</b> | HSBC Trustee   |