

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.

[Click here for VNL's website.](#)

Fund managing director

David Blackhall

Investment 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's comment

VNL's unaudited net asset value (NAV) was USD466.5 million or USD0.97 per share at close of business on 30 June 2013. This represents a 5.8 percent decline from a net asset value per share of USD1.03 from close of business on 31 March 2013. The reduction in NAV is primarily due to downward project revaluations as at 30 June 2013, fund operating expenses and adjustments for deferred taxation.

VNL's share price closed at USD0.46 at the end of June, a decrease of 2.1 percent compared to the closing price of USD0.47 at the end of May. As a result, the Company's share price to NAV discount is currently 52.6 percent compared to 54.4 percent in May.

During the month, VNL repurchased and cancelled 400,000 ordinary shares. Since October 2011, the Company has cancelled a total of 19.0 million ordinary shares, representing 3.81 percent of the total shares in issue prior to the commencement of the share buyback program.

Fund update

On 11 July 2013, VNL announced the divestment of its stake in the Signature One project site located in District 2, Ho Chi Minh City. The Signature One project is a development site with a total site area of 6,351 square meters which was acquired by VNL in 2006 for development into a high-end residential apartment complex. However, subsequent to the acquisition, the market experienced a significant increase in the number of apartment developments in the area and now the supply of apartments far outweighs demand. Within the immediate vicinity of the divested site there are a number of completed and partially completed apartment projects that remain unsold to date. Given the oversupply, the Investment Manager decided not to proceed with the development of this site. VNL has signed an agreement to divest its 70 percent stake in the project at a valuation 3.3 percent below the current net asset value of the investment. This will result in net proceeds of USD2.7 million for the Company. VNL has already received an initial payment equivalent to 70 percent of the total payment from the buyer, with the remaining 30 percent to be collected by the end of July 2013.

VNL project revaluations were undertaken for the period ending 30 June 2013 with nine projects appraised by international valuation consultants. These projects appraised are located across Vietnam in Hanoi, Nha Trang, Danang, Ho Chi Minh City and provinces surrounding Ho Chi Minh City. Additionally, a further eight projects were also externally re-appraised as part of the biannual update for the interim period. The outcome was that one project valuation remained the same; one project was adjusted upward while the majority of the project valuations were adjusted downward. This was primarily due to the continued softening in the real estate market resulting in very low residential sales volume and transactions across the country coupled with illiquidity and high interest rates during the period.

Performance summary*

30 June 2013

| | |
|-----------------------------|--------|
| NAV per share** (USD): | 0.97 |
| Change (Quarter-on-quarter) | -5.8% |
| Total NAV** (USD 'm): | 466.5 |
| Share price (USD): | 0.46 |
| Market cap (USD 'm): | 220.0 |
| Premium/(discount) | -52.6% |

* Figures in USD. Return percentages are for the period, not annualized

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

Cumulative change (% change)

| | 3mth | 1yr | 3yr | 5yr |
|---------------|------|-------|-------|-------|
| NAV per share | -5.8 | -12.6 | -28.9 | -39.8 |
| Share price | 8.6 | -4.2 | -39.9 | -62.3 |

Quarterly performance history (% change)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|-----|-------|-------|-------|-------|------|
| Q1 | -1.0 | -1.7 | 0.7 | 3.0 | -3.3 |
| Q2 | -5.8 | -4.3 | -2.2 | -0.7 | -9.0 |
| Q3 | | 0.0 | 0.7 | 3.7 | -0.8 |
| Q4 | | -6.3 | -12.6 | -3.5 | 1.5 |
| YTD | -11.9 | -13.2 | 2.3 | -11.3 | |

Additional portfolio information

| | |
|--------------------|---|
| Current assets | 33 |
| Divestments | 13 full, 1 partial and residential unit sales |
| Debt level | Fund: Nil Projects: 11.6% of NAV |
| Shares outstanding | 480,898,227 |

Macroeconomic update

Vietnam's inflation edged higher in June, according to the General Statistics Office (GSO), marking the first increase in eight months following the State Bank of Vietnam's (SBV) reduction of both the discount and refinance rate to 5.0 and 7.0 percent, respectively. As a result, year-on-year price increases reached 6.69 percent for June, up from 6.36 percent in May. Notably however, prices for food, foodstuffs and transportation which account for around half of Vietnam's CPI calculation actually declined slightly in June, reflecting softer world commodity prices.

Despite the tick up in inflation, Vietnam's economic growth accelerated to a growth rate of 4.9 percent for the first half of 2013 compared to 4.4 percent during the same period a year ago. The effect of numerous interest rate reductions combined with an influx of foreign direct investment over the past six months have greatly contributed to the improvement in the economy. However, manufacturing data remains weak as the Index of Industrial Production (IIP) increased by just 5.5 percent for the first six months of the year compared to an increase of 6.1 percent in the same period a year ago.

In June, the official exchange rate rose again for the second straight month to VND21,220 per USD as a result of increasing speculation of a rising trade deficit estimated at approximately USD1.4 billion year-to-date. Additionally, as interest rates and bond yields appeared to bottom out from May into June, foreign commercial banks started to divest their bond holdings and began sourcing USD to repatriate proceeds, which put further pressure on the exchange rate.

The government is still on track to commence the newly established Vietnam Asset Management Company (VAMC), in order to facilitate the purchasing or restructuring of non-performing loans (NPLs) from financial organisations and organising auctions for collateralised assets. Additionally, during the month, the SBV also implemented a USD1.4 billion credit package to provide support to low-income home buyers and developers. Developers of low income housing must obtain approval from authorities to receive an annual interest rate of 6.0 percent which can be adjusted only once per year.

Fixed income

The primary bond market was sluggish with only USD521million worth of government and government-backed bonds successfully issued in June 2013. The overall issued value decreased by almost 62 percent compared to that of last month. For the first time in several months, government bond yields increased during June 2013, up by 23bps, 25bps, 92bps, 10bps on 2-, 3-, 5-, and 10-year bonds, respectively.

Bond trading was active on the secondary market especially during the first two weeks in June 2013, with a total trading value changing hands equal to USD1.6 billion. Bond yields rebounded after the first two weeks of the month as investors slightly reduced their exposure in anticipation for higher yields.

Macroeconomic indicators

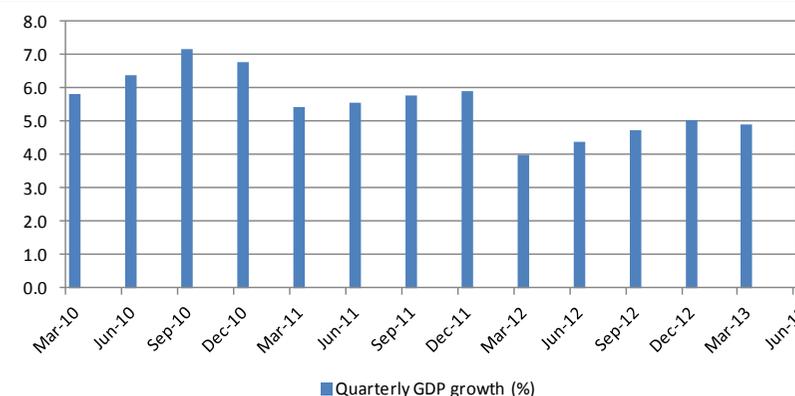
| | 2012 | Jun-13 | YTD | Y-o-Y change |
|--------------------------------------|--------|--------|-------|--------------|
| GDP growth ¹ | 5.0% | 5.0% | 4.9% | - |
| Inflation | 6.8% | 0.1% | 2.4% | 6.7% |
| FDI (USDbn) | 13.0 | 2.0 | 10.5 | 15.9% |
| Imports (USDbn) | 114.3 | 11.5 | 63.4 | 17.4% |
| Exports (USDbn) ² | 114.6 | 11.4 | 62.0 | 16.1% |
| Trade surplus/(deficit) | 0.8 | -0.1 | -1.4 | 133.3% |
| Exchange rate (USD/VND) ³ | 20,855 | 21,220 | -1.7% | -1.4% |
| Bank deposit rate (VND) | 8.0% | 7.5% | -6.3% | -31.8% |

Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold 3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Government bond yields (%)

| | 1yr | 2yr | 3yr | 5yr |
|---------|------|------|------|------|
| June-13 | 5.97 | 6.80 | 7.09 | 7.91 |
| May-13 | 5.86 | 6.46 | 6.67 | 7.70 |

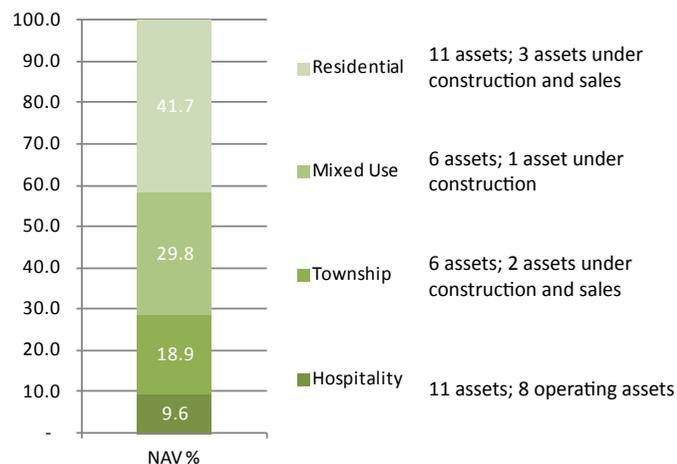
Quarterly GDP growth (%)



Top ten investments

| Project | Location | Type | % of NAV |
|---------------------------|----------|-------------|-------------|
| Century 21 | South | Residential | 14.2 |
| Danang Beach Resort | Central | Residential | 12.3 |
| Pavilion Square | South | Mixed Use | 8.6 |
| VinaSquare | South | Mixed Use | 6.4 |
| Dai Phuoc Lotus | South | Township | 6.2 |
| Times Square Hanoi | North | Mixed Use | 5.7 |
| Trinity Park | South | Residential | 4.7 |
| Aqua City | South | Township | 4.5 |
| My Gia | Central | Township | 4.0 |
| World Trade Center Danang | Central | Mixed Use | 4.0 |
| Total | | | 70.6 |

Portfolio by sector



Key projects under development

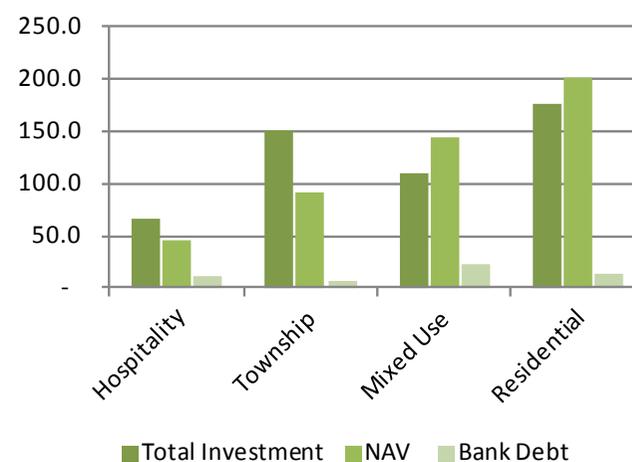
| Project | Location | Type | Site Area (ha) |
|---------------------------|----------|-------------|----------------|
| Danang Beach Resort | Central | Residential | 260.0 |
| Dai Phuoc Lotus | South | Township | 200.7 |
| My Gia | Central | Township | 158.0 |
| World Trade Center Danang | Central | Mixed Use | 9.0 |

Total: 4 assets representing a NAV of USD128.3 million

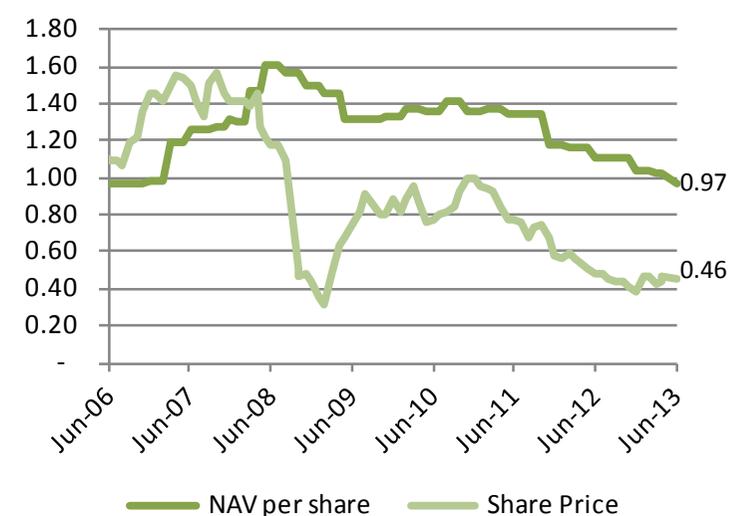
Portfolio breakdown

| Portfolio by geographic location | % of NAV |
|----------------------------------|----------|
| Hanoi region | 8.3 |
| Central region | 26.4 |
| Ho Chi Minh City region | 65.3 |
| Valuation breakdown | |
| Assets not yet revalued * | 9.1 |
| Assets revalued | 90.9 |
| Development status | |
| Land banking | 4.3 |
| Planning stage | 60.2 |
| Development stage | 29.0 |
| Operating assets | 6.5 |

NAV by sector



NAV and share price performance



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

* held at cost or below cost

Board of Directors

VNL's Board of Directors is composed entirely of independent non-executive directors.

| Member | Role |
|------------------|--------------------------------------|
| Nicholas Brooke | Non-executive Chairman (Independent) |
| Nicholas Allen | Non-executive Director (Independent) |
| Michel Casselman | Non-executive Director (Independent) |
| Stanley Chou | Non-executive Director (Independent) |
| Charles Isaac | Non-executive Director (Independent) |

VinaCapital Investment Management (VCIM)

VCIM is the BVI-registered investment manager of VNL.

| Member | Role |
|-----------------|---------------------------------------|
| Don Lam | Chief Executive Officer |
| Brook Taylor | Chief Operating Officer |
| David Blackhall | Managing Director, VNL |
| Anthony House | Deputy Managing Director, Real estate |

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Fund summary

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

Investment manager: VinaCapital Investment Management Ltd

Structure: Single class of ordinary shares trading on the AIM market of the London Stock Exchange plc.

Auditor: PricewaterhouseCoopers (Hong Kong)

Nominated adviser: Grant Thornton UK LLP

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)

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

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