

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 was USD443.7 million or USD0.92 per share at close of business on 30 September 2013. This represents a 1.1 percent decline from an audited net asset value per share of USD0.93 as at close of business on 30 June 2013. The reduction in NAV is primarily due to fund operating expenses and management fee adjustments during the quarter.

VNL's share price decreased 6.9 percent to USD0.40 as at 30 September 2013, from a closing price of USD0.43 as at 31 August 2013. As a result, the company's share price to NAV discount is currently 56.1 percent compared to 53.9 percent in August.

During September, VNL repurchased and cancelled 450,000 ordinary shares. Since October 2011, the Company has cancelled a total of 19.7 million ordinary shares, representing 3.94 percent of the total shares in issue prior to the commencement of the share buyback program.

Fund update

The Manager is considering raising additional capital in the form of debt or quasi-debt instruments to refinance existing project loans and commitments as well as to provide additional working capital in the medium term. The current initiative being explored is a zero dividend preference share issuance.

On 1 October 2013, VNL announced the divestment of its stake in the Hao Khang project site located in District 9, Ho Chi Minh City. The Hao Khang project was a future development site with a total area of 49,655 square metres which was acquired in 2007 for development into an apartment and villa complex adjacent to Ho Chi Minh City's internal ring road. Given the apartment oversupply in the area and challenging market conditions, the Manager concluded that VNL should not proceed with the development of this site but rather should seek to divest it. VNL signed an agreement to divest its 70 percent stake in the project at a valuation 2.9 percent above the current net asset value of the investment, resulting in net proceeds of USD4.6 million which VNL has received in full.

VNL project revaluations were undertaken for the period ending 30 September 2013 with five hotel projects appraised by international valuation consultants. Additionally, a further six projects were also externally appraised as part of the semi-annual update for the interim period. A majority of these projects are located in Ho Chi Minh City and Hanoi with three projects located in the central region of Vietnam. As a result, five project valuations remained the same and six project valuations were adjusted downward. This was primarily due to the continued softening in the real estate market across the country. However Q3 2013 was also the first time in the past four quarters that we have seen independent valuations of many projects remain unchanged.

Performance summary*

30 September 2013

| | |
|-----------------------------|--------|
| NAV per share** (USD): | 0.92 |
| Change (Quarter-on-quarter) | -1.1% |
| Total NAV** (USD 'm): | 443.7 |
| Share price (USD): | 0.40 |
| Market cap (USD 'm): | 193.9 |
| Premium/(discount) | -56.1% |

* 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 | -1.1% | -17.1% | -34.8% | -41.4% |
| Share price | -11.7% | -8.5% | -50.2% | -63.0% |

Quarterly performance history (% change)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|-----|-------|-------|-------|-------|------|
| Q1 | -1.0 | -1.7 | 0.7 | 3.0 | -3.3 |
| Q2 | -9.7 | -4.3 | -2.2 | -0.7 | -9.0 |
| Q3 | -1.1 | 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: 14.0% of NAV |
| Shares outstanding | 480,248,227 |

Macroeconomic update

According to the General Statistics Office (GSO), for the first nine months of 2013 the economy grew by 5.1 percent. Economic growth increased by 5.5 percent in Q3 as foreign invested enterprises (FIE) helped support manufacturing and export industries, mitigating the negative impact of weak credit growth from an impaired banking system. Total exports grew 16 percent in first nine months of 2013, driven by sales of mobile phones and other electronic items.

In September, month-on-month consumer price index (CPI) grew by 1.1 percent, one of the highest levels since the beginning of the year. The visible increase in this month's CPI is mostly attributed to the sharp rise in education-related costs nationwide (9.4 percent, compared to 1 percent in August). Particularly, tuition fees in Ho Chi Minh City increased by 60 percent. Without this one-time effect, September CPI would have grown by only 0.5 percent. Additionally, food and food stuff prices rose by 0.65 percent, the fastest monthly increase over the past seven months. However, price increases in healthcare eased significantly from last month, while the government's fuel price cut helped decelerate transportation costs by -0.2 percent.

In September liquidity in the banking system remained stable and the government bond auctions were successful with good coverage ratios (3x – 4x). However, credit growth remains quite limited at 5.8 percent, year-to-date as at 30 September 2013. Lending rates at commercial banks have declined significantly to between 7.0 and 9.0 percent in priority sectors and between 9.0 and 11.0 percent in all other areas. As a reference, in mid-2011, these rates were at 16 to 21 percent. They are now equivalent to loan rates prevalent in 2005/2006.

Fixed income

Bonds issued by the State Treasury remained the most favourable and accounted for 71 percent of total offering volume in the month of September. Among these, short-term government and government-backed bonds were the most favourable, with USD74.5 million worth of two-year bonds successfully issued at a yield of 7.45 percent. Additionally, USD47.5 worth of ten-year g-bonds were successfully issued at 8.9 percent. For the near future the direction of bond yields will depend on the rate of credit growth, impacted by bank liquidity and movements in the CPI as it affects the cost of funds in the economy.

The secondary bond market remained inactive in September with total trading value declining 54.0 percent to USD460 million from USD1.0 billion in August. Notably, demand for short-term bonds was healthy enough to cause a further decline in yields for these issues, falling by 25 to 30 basis points. However, long-term yields increased by 30 to 40 basis points as demand for these government bonds waned.

Macroeconomic indicators

| | 2012 | Sep-13 | YTD | Y-o-Y change |
|--------------------------------------|--------|--------|-------|--------------|
| GDP growth ¹ | 5.0% | 5.5% | 5.1% | |
| Inflation | 6.8% | 1.1% | 4.6% | 6.3% |
| FDI (USDbn) | 13.0 | 2.4 | 15.0 | 36.1% |
| Imports (USDbn) | 114.3 | 11.6 | 96.6 | 15.5% |
| Exports (USDbn) ² | 114.6 | 11.3 | 96.5 | 15.7% |
| Trade surplus/(deficit) | 0.8 | -0.3 | -0.1 | N/A |
| Exchange rate (USD/VND) ³ | 20,855 | 21,140 | 1.4% | 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 |
|--------------|------|------|------|------|
| August-13 | 6.90 | 7.45 | 7.80 | 8.45 |
| September-13 | 6.66 | 7.85 | 8.13 | 8.80 |

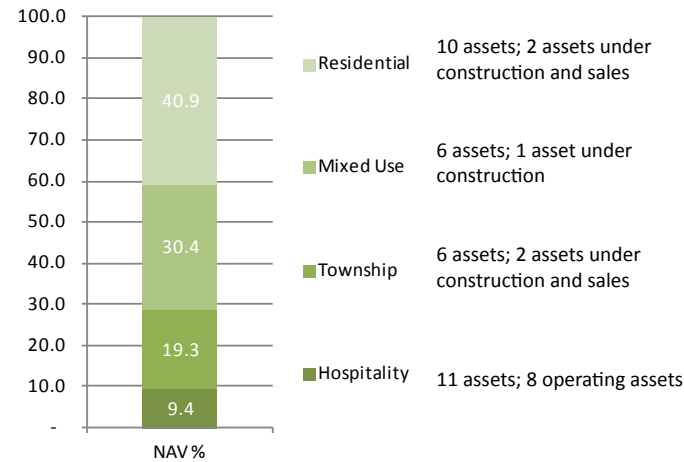
Quarterly GDP growth (%)



Top ten investments

| Project | Location | Type | % of NAV |
|---------------------------|----------|-------------|-------------|
| Century 21 | South | Residential | 15.3 |
| Danang Beach Resort | Central | Residential | 11.8 |
| Pavilion Square | South | Mixed Use | 8.4 |
| Dai Phuoc Lotus | South | Township | 7.0 |
| VinaSquare | South | Mixed Use | 6.2 |
| Times Square Hanoi | North | Mixed Use | 6.1 |
| Aqua City | South | Township | 4.5 |
| World Trade Center Danang | Central | Mixed Use | 4.3 |
| Trinity Park | South | Residential | 4.1 |
| Green Park Estate | South | Mixed Use | 4.1 |
| Total | | | 71.6 |

Portfolio by sector



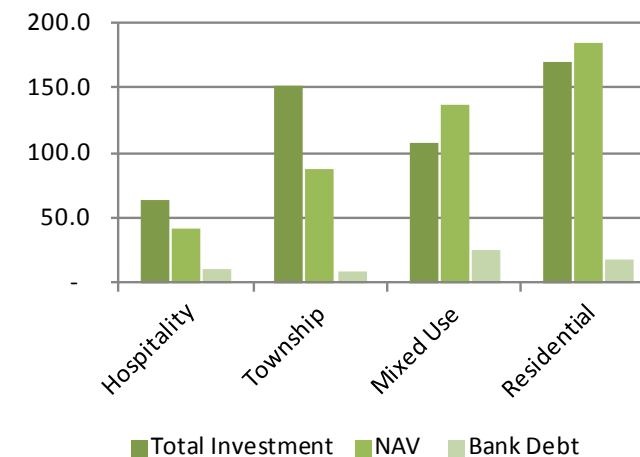
Key projects under development

| 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 USD119.8 million | | | |

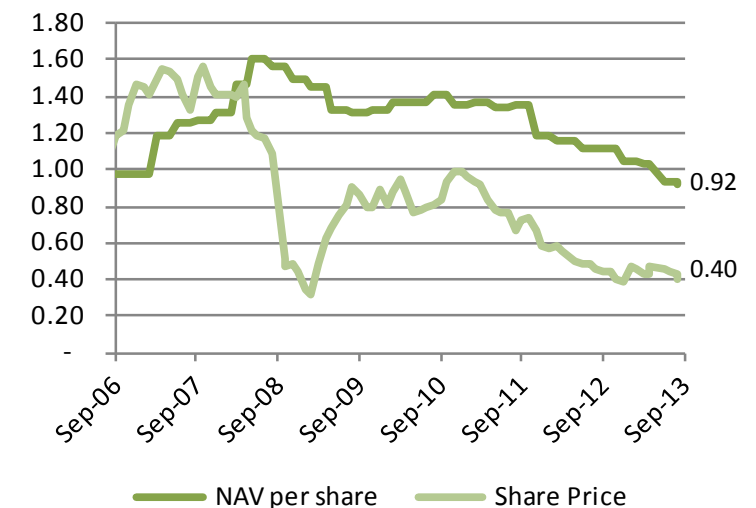
Portfolio breakdown

| Portfolio by geographic location | % of NAV |
|----------------------------------|----------|
| Hanoi region | 8.7 |
| Central region | 25.6 |
| Ho Chi Minh City region | 65.6 |
| Valuation breakdown | |
| Assets not yet revalued * | 8.3 |
| Assets revalued | 91.7 |
| Development status | |
| Land banking | 7.8 |
| Planning stage | 59.0 |
| Development stage | 27.1 |
| Operating assets | 6.1 |

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 |
| Oai Nguyen | 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.