VinaLand Limited AIM: VNL

Investment Manager's quarterly report 30 June 2015

VinaCapital

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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; town-ship (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

For the period ended 30 June 2015, VNL's unaudited net asset value (NAV) was USD386.3 million or USD0.90 per share. This represented a 1.15% increase from a net asset value per share of USD0.89 at 31 March 2015. The results demonstrate an improvement in market confidence and this has been recognised by the valuation appraisers. The effect of the second quarter of 2015 project revaluations was an overall increase in the NAV per share.

VNL's share price increased slightly 0.25% to USD0.516 as at 30 June 2015, from a closing price of USD0.515 as at 31 March 2015. VNL's share price to NAV discount is currently 42.5% compared to 42.0% in March. During the quarter, VNL repurchased and cancelled 1.75 million ordinary shares. Since October 2011, the Company has cancelled a total of 69.8 million ordinary shares, representing 13.97% of the total shares in issue prior to the commencement of the share buyback program.

Fund update

VNL project revaluations were undertaken for the period ending 30 June 2015 with six projects appraised by international valuation consultants. Additionally, a further five projects were also externally appraised as part of the semi-annual update for the interim period. Five of these projects are located in Ho Chi Minh City and Hanoi, with six projects located in the southern and central regions of Vietnam. These appraisals demonstrated that there has been an improvement in market momentum which is now flowing through to real estate valuations.

In the second quarter of 2015, VNL's projects won three awards at the 2015/16 International Property Awards (Asia Pacific Region), which are among the region's most prestigious real estate industry accolades with the following awards:

- Best Golf Development in Vietnam for Danang Golf
- Best Residential Development in Vietnam for Dai Phuoc Lotus
- Best Development Marketing in Vietnam for VinaLiving

The Manager is continuing to work on several disposal opportunities and is dealing both directly with prospective investors, and with Jones Lang LaSalle (JLL) to negotiate with foreign and local investors with the objective of securing a number of exits during H2 2015. VNL's residential projects in Danang and Nha Trang have experienced improved sales volume over H1 2015, particularly the My Gia project in Nha Trang and The Point, Ocean Apartments, Beachfront villas and Azura in Danang, this trend is expected to continue into H2 2015.

The second quarter of 2015 has seen continued improvement in the real estate market which is driven by much improved liquidity enabling developers to acquire new sites, commence new projects and launch sales while strengthening market confidence drives better sales results. This improved market confidence is also creating more demand for development land including the VNL portfolio which is now of interest to new and existing investors.

During the second quarter, VNL's ongoing residential projects continued to see more activity with new launches and construction progress. The Point villa project (part of Danang Golf Course) had its official Phase 2 launch in April 2015 and has achieved 13 sales reservations out of 20 overall units. Villa foundations for reservations in Phase 2 are being completed to enable signed agreements to be executed. Completed villas from Phase 1 will be delivered to the new owners by Q4 2015. The Ocean Apartment Block A (part of Danang Beach Resort) achieved practical completion on 30 June 2015 and handovers to buyers are scheduled to commence in July.

Performance summary*	30 June 2015
NAV per share** (USD):	0.90
Change (Quarter-on-quarter)	1.15%
Total NAV** (USD 'm):	386.3
Share price (USD):	0.516
Market cap (USD 'm):	222.1
Premium/(discount)	-42.5%

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

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

Cumulative change (% change)

	3mth	1yr	3yr	5yr
NAV per share	1.1	-2.2	-19.1	-34.1
Share price	0.3	-6.8	7.6	-32.5

Quarterly performance history (% change)

	2015	2014	2013	2012	2011
Q1	-3.3	-0.4	-1.0	-1.7	0.7
Q2	1.1	1.2	-9.7	-4.3	-2.2
Q3		0.0	-1.1	0.0	0.7
Q4		0.0	-1.0	-6.3	-12.6
YTD	-2.2	0.8	-12.4	-11.9	-13.2

Additional portfolio information

Current assets	25
Divestments	21 full and residential unit sales
Debt	Fund level (ZDPs): 7.4% of NAV
	Project level (Bank): 20% of NAV
Shares outstanding	430,132,220

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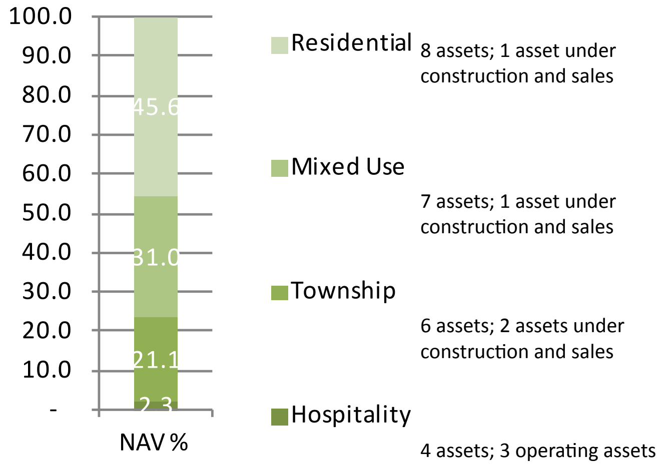
Top ten investments

Project	Location	Type	% of NAV
Century 21	South	Residential	17.9%
Danang Golf and Beach Integrated Development*	Central	Residential	13.3%
Dai Phuoc Lotus	South	Township	8.0%
VinaSquare	South	Mixed Use	7.0%
Pavilion Square	South	Mixed Use	6.7%
Times Square Hanoi	North	Mixed Use	6.1%
Aqua City	South	Township	5.1%
Trinity Park HUD	South	Residential	4.7%
Green Park Estate	South	Mixed Use	4.3%
Capital Square**	Central	Mixed Use	3.9%
Total			77.0%

Portfolio by sector



Key projects under development

Project	Location	Type	Site Area (ha)
Danang Golf and Beach Integrated Development	Central	Residential	248.3
Dai Phuoc Lotus	South	Township	198.5
My Gia	Central	Township	149.9
Capital Square	Central	Mixed Use	6.6

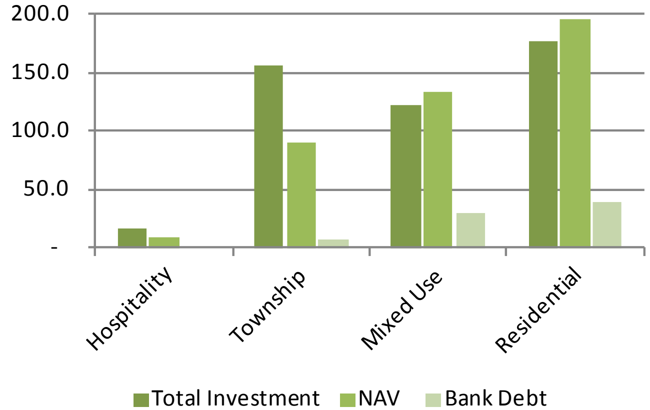
Total: 4 assets representing a NAV of USD122.6 million

Portfolio breakdown

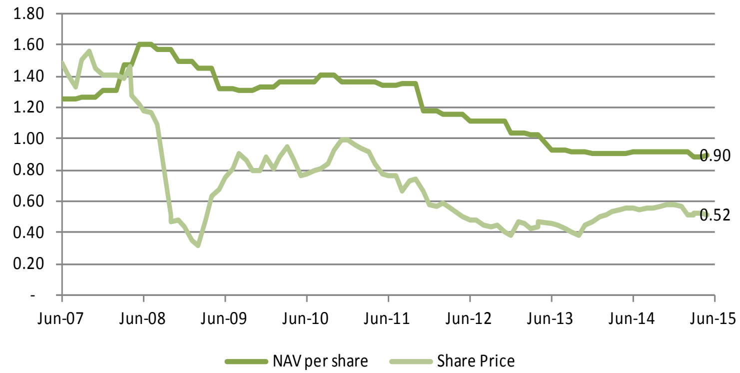
Portfolio by geographic location	% of NAV
Hanoi region	8.2%
Central region	28.6%
Ho Chi Minh City region	63.2%
Valuation breakdown	
Assets not yet revalued ***	6.4%
Assets revalued	93.6%
Development status	
Land banking	7.1%
Planning stage	63.0%
Development stage	28.6%
Operating assets	1.4%

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

NAV by sector



NAV and share price performance



* previously known as Danang Beach Resort ** previously known as World Trade Center Danang *** held at cost or below cost

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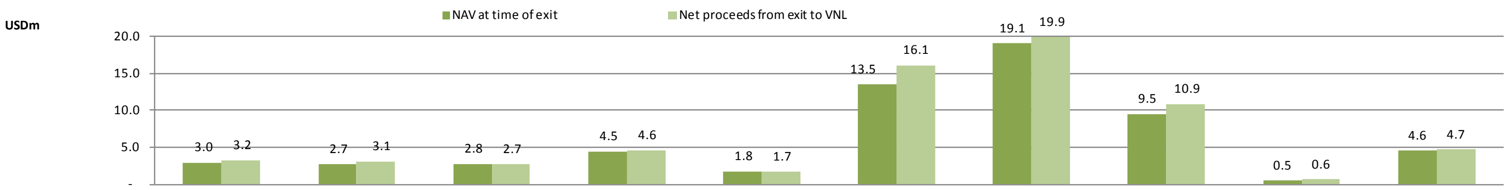
VNL strategy

Current strategy: VNL is now in a cash return period and will not make any new investments except where funds are required for existing projects. The Fund seeks to realize assets in the existing portfolio and continues with the development of selected residential or mixed use projects to maximize value. The two primary means of divestment are the development of residential for-sale products (e.g. apartments and landed property) to homebuyers and the disposal of land or projects to local and foreign investors. Both forms of exit have been challenging since 2012 due to real estate market difficulties, however since Q2 2015 the real estate market has been gaining momentum. VNL's primary objective remains the disposal of projects and with an improved market since Q2 2015 VNL is targeting the closure of several divestments in Q3 and Q4 2015. At the same time, VNL is pushing forward with ongoing residential developments to capitalise on the improving market confidence and improved liquidity. Ongoing development of existing projects helps with cashflow and also demonstrates to investors/sub-developers that the projects are very attractive developments and offer excellent medium-term growth opportunities in the Vietnam property market. Closure of project disposals where a sale at current market value will result in a higher IRR than holding, or continuing to develop, the asset. All of VNL's interests in operating hotels and offices have now been sold except for two small hotels and the focus has shifted to divestment of development land projects. VNL will not commence speculative development of any commercial mixed use projects during the current term however is looking at commencing new residential developments on existing land currently owned by VNL.

VNL divestment history



	Pre-EGM	Post-EGM (28 November 2012)										
Divestment	10 projects divested	Nguyen Du	Sheraton	Signature 1	Hao Khang	Prodigy	Vina Properties	Hospitality investments	Marie Curie	Saigon Quy Nhon	Vung Bau Phu Quoc	Total
Type		Office	Hotel	Land	Land	Hotel	Hotel	Hotel	Land	Hotel	Land	
Exit date	2009 - 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q4 2013	Q1 2014	Q3 2014	Q3 2014	Q1 2015	Q1 2015	
NAV at exit (USDm)	**188.1**	3.0	2.7	2.8	4.5	1.8	13.5	19.1	9.5	0.5	4.6	**61.9**
Net proceeds to VNL (USDm)	**205.5**	3.2	3.1	2.7	4.6	1.7	16.1	19.9	10.9	0.6	4.7	**67.5**
Net proceeds vs. NAV	**9.3%**	7.9%	15.1%	-3.3%	2.8%	-5.5%	19.2%	4.5%	14.3%	27.3%	2.9%	**9.1%**
Debt removed, VNL portion (USDm)		0	25.0			4.0	1.7	6.0				36.6
NAV at EGM 2012 (USDm)		3.4	2.7	2.8	5.0	2.5	14.9	6.3	8.7	0.5	4.1	50.9
Net proceeds vs. NAV@EGM		-6.1%	15.1%	-3.3%	-7.8%	-31.7%	8.2%	215.3%	24.6%	24.5%	1.6%	31.6%

* All "NAV at exit" figures above are based on most recent audited numbers prior to the exit date.

* Cost and net proceeds from exit include all transfers of money between the fund and project companies, including dividends, shareholder loans, and capital contributions.

[1] Net proceeds adjusted, minus additional cost incurred since EGM to exit.

Macroeconomic update

The Nikkei PMI (a successor to the HSBC PMI) declined slightly in June to 52.2 (May: 54.8), but it stayed above the neutral level of 50 implying continued expansion of the manufacturing sector. Operating conditions have now improved in each of the past 22 months, and increasing employment and purchases amongst domestic companies indicates near term optimism. Domestically, retail sales rose 9.8% YOY, a distinct improvement over Q2 2014 (5.7%), consumer sentiment, as measured by the ANZ Consumer Confidence Index also rose to a record high of 143.1. The Government Statistics Office's data also indicates a strong and continuing recovery in the economy, Q2 GDP growth was 6.1% YOY, and we predict GDP growth will maintain this rate at between 6.0% and 6.5% to the end of 2015.

Vietnam's consumer price index (CPI) increased by 0.35% in the month of June, the highest June-month growth in four years, taking YTD inflation to 0.55%. YOY inflation currently stands at 1.0% and we now revise our inflation projection to between 2.0% and 2.5% YOY for 2015.

Fixed income

A total of USD1.1 billion worth of new government and government backed bonds were issued during the month of June, up 93.3% compared with May. This included USD338 million of issues from the State Treasury, a first for 2015. In the secondary market, month-on-month trading volume decreased slightly by 0.35%, for a total value of USD2.6 billion. Government bond yields increased across the curve during June as banks moved funds from the bond market to the loan market as credit growth reached 6.1% for the year to June (2014 period: 3.5%) and inflation forced nominal bonds slightly higher.

Real estate market update

Vietnam's real estate market has continued to see some signs of improvement with more launches and transactions within the high-end and affordable property segment. According to CBRE Vietnam, in Q2 2015, the average selling prices of high-end and mid-end condominiums increased slightly by 1% to 3% quarter-on-quarter (QOQ) in both Ho Chi Minh City and Hanoi. As a result of the new Housing Law lifting foreign ownership restrictions, effective 1 July 2015, the number of new condominiums continuing to launch in Ho Chi Minh City and Hanoi rose 165% and 105% QOQ, respectively. During H1 2015, the absorption rate of the Hanoi and Ho Chi Minh City condominiums market has been above 60% of total launched units. The average rent for retail and office projects in Ho Chi Minh City remained stable while it decreased slightly in Hanoi (approximately 3%) QOQ. Increasing supply in both retail and commercial segments from new construction and completed builds through to the end of the year is expected to place continued downward pressure on net effective rentals.

According to Savills, the absorption rate of land plots increased slightly by 1% to 2% QOQ, both in Ho Chi Minh City and Hanoi. Projects in Da Nang and Nha Trang have experienced improved sales volume over H1 2015, and this trend is expected to continue. A large portion of recent buyers are end-users who are interested in locations with improving infrastructure, the landscape, available amenities, in near completed projects or projects developed by high profile developers. Overall, the landed property market continues to demonstrate improvements with new project launches, helped by changes in sales strategies from existing developers such as protracted repayment plans and additional amenities.

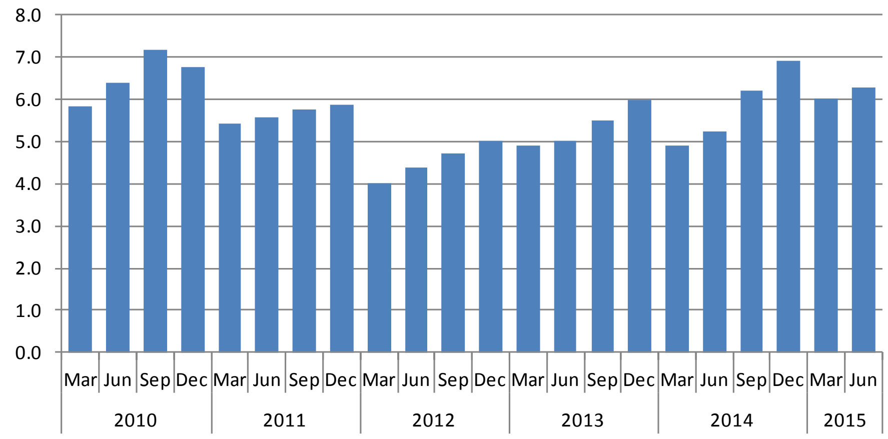
Macroeconomic indicators

	2014	Jun-15	2015 YTD	Year-on-year
GDP growth[1]	6.0%		6.3%	6.4%
Inflation (%YOY)	1.8%	0.4%	0.6%	1.0%
FDI commitments (USDbn)	20.2	1.2	5.5	-19.8%
Imports (USDbn)	148.0	15.0	81.5	24.0%
Exports (USDbn)	150.0	14.3	77.6	17.1%
Trade surplus/(deficit) (USDbn)	2.0	-0.7	-3.9	
Exchange rate (USD/VND) [2]	21,450	21,840	1.8%	
Bank deposit rate (VND)	6.0%	5.0%	-100bps	

Government bond yields (%)

	1yr	2yr	3yr	5yr
May-15	4.94	5.29	5.56	5.98
June-15	5.05	5.45	5.85	6.45

Quarterly GDP growth (%)



Sources: GSO, SBV, VCB | 1. Annualized rate, updated quarterly 2. Includes gold

3. (-) Denotes a devaluation in the currency, Vietcombank ask rate

Investors are turning to property market as they seek to boost returns higher in the low interest rate environment.

Effective 7 May 2015, the VND was depreciated by 1%, raising the reference rate from 21,458 to 21,673.

The first 6 months of 2015 saw a number of condominium project launches, bringing approximately 10,000 units each of the Hanoi and Ho Chi Minh City markets.

Average rental prices for retail and office projects in Ho Chi Minh City continue to remain stable, while Hanoi's decreased slightly in the second quarter of 2015.

Interest rates are trending down

Borrowing conditions have improved with increased liquidity in the banking sector and interest rates continuing their downward trend, from a peak of 15% in 2012 to current rates of between 8.5% and 12.5%. Credit appetite has increased with more favourable repayment terms available for those meeting stricter lending criteria, particularly strong business plans, quality of assets and developer reputation. Despite the higher threshold, the market environment is attracting investors back to the market in pursuit of higher returns and local developers are now actively borrowing for new developments and launching new sales.

The effect from VND devaluation on real estate market

Effective on 7 May 2015 the VND was depreciated by a further 1%, raising the reference rate from 21,458 to 21,673. However, after this move, pressure on the VND continued with the USD trading close to its upper band of 21,850. Since June the FX market has stabilized but the market consensus is that there will be a further 1.0% devaluation prior to year end for a total devaluation of 3.0% for 2015. Combined with the effects of new housing laws, VND devaluation will improve foreign buyer interest in the residential market. Additionally, devaluation is also impacting existing property rentals such as office, retail and serviced apartments as these are set in USD and will effectively increase local yields when converting to VND.

Condominium sector

As a result of the new Housing Laws and greater availability of mortgages, a new wave of condominium supply is continuing to come to the market in both Ho Chi Minh and Hanoi. According to CBRE Vietnam, numerous condominium projects were launched in the Q2 2015, specifically 19 projects comprising 8,528 units in Ho Chi Minh and an additional 19 projects with 5,137 units in Hanoi. The number of new condominiums launched in Ho Chi Minh City and Hanoi rose 165% and 105% quarter-on-quarter respectively. In H1 2015, the absorption rates of Ho Chi Minh City was estimated to be 73% (total 13,678 new units launched) while Hanoi's rate was at 45% (total 10,017 new units launched). High-end segments in Ho Chi Minh reported the highest absorption rates in H1 2015 with 5,800 sold units (approximately 50% of total Ho Chi Minh units sold). The average selling price of high-end and mid-end condominiums increased slightly by between 1% and 3% quarter-on-quarter in both Ho Chi Minh City and Hanoi.

Landed property sector

According to Savills, the absorption rate of land plots increased slightly by between 1% and 2% quarter-on-quarter in both Ho Chi Minh City and Hanoi. Projects in Danang and Nha Trang have experienced improving sales volume over H1 2015 and this trend is expected to continue. A large portion of recent buyers are end-users who are interested in locations with improving infrastructure, quality landscaping, available amenities, in near completed projects or projects developed by high profile developers. Overall, the landed property market continues to demonstrate improvement with new project launches, and helped by changes in sales strategies from existing developers such as protracted repayment plans and additional amenities.

Office and Retail sector

In Q2 2015, the average rent for retail and office projects in Ho Chi Minh City remained stable while it decreased slightly in Hanoi (approximately 3%) quarter-on quarter. Current occupancy rates for these segments in Hanoi improved slightly quarter-on-quarter while Ho Chi Minh City remains unchanged. Increasing supply in both retail and commercial segments from new construction and completed builds through to the end of the year is expected to place continued downward pressure on net effective rentals.

Top 10 investments

Investment	Location	Sector	VNL ownership	VOF ownership	Site area (ha)	NAV (USD mil)	% of NAV	Bank debt (VNL portion, USD mil)[1]	Projected future investments through 2015 (VNL portion, USD mil)[2]	Current status
Century 21	South	Residential	75.0%	25.0%	30.1	76.9	17.9%	28.3	0.0	Planning
Danang Golf & Beach Integrated Development 3	Central	Residential	75.0%	25.0%	248.3	57.1	13.3%	11.5	0.0	Development
Dai Phuoc Lotus	South	Township	54.0%	18.0%	198.5	34.3	8.0%	0.3	0.0	Development
VinaSquare	South	Mixed Use	46.5%	15.5%	3.1	30.2	7.0%	0.0	0.7	Planning
Pavilion Square	South	Mixed Use	90.0%	0.0%	1.4	28.6	6.7%	27.5	10.8	Planning
Times Square Hanoi	North	Mixed Use	65.0%	0.0%	4.0	26.0	6.1%	0.0	0.0	Planning
Aqua City	South	Township	40.0%	0.0%	250.2	21.7	5.1%	0.0	0.0	Planning
Trinity Park	South	Residential	75.0%	25.0%	33.7	20.3	4.7%	0.0	0.0	Planning
Green Park Estate	South	Mixed Use	62.9%	33.9%	15.7	18.4	4.3%	0.0	1.1	Planning
Capital Square 4	Central	Mixed Use	60.6%	20.2%	6.6	16.8	3.9%	2.3	6.8	Development
					Total of top 10 investments	330.2	77.0%	69.8	19.4	
					Remaining investments	98.4	23.0%	7.4	2.2	
					Total portfolio	428.5	100.0%	77.2	21.6	

1. Bank debt: VNL's portion of current outstanding bank finance at the local investment (project) vehicle.

2. Projected future investments through to 2015: Projected remaining equity payments from VNL. These projections are subject to change should local authorities amend policies relating to licencing approvals and capital contributions or should debt be utilized instead of capital or should an investment partner not participate. Some of the Projected future investments may not apply should VNL sell or choose not to proceed to develop the property.

3. Danang Golf and Beach Integrated Development is formerly known as Danang Beach Resort.

4. Capital Square is formerly known as World Trade Centre Danang. This project is broken down into three separate phases (excluding a partial divestment of phase 1). The ownership percentages of this project reflect the total NAV of three phases, which are owned by the funds.

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 is 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% cleared. In Q4 2011, the Century 21 Nam Rach Chiec project received a 1:500 master planning parameters approval and Investment Licence. The revised 1:500 master plan in-principal approval was received in Q2 2014 and VNL received the detailed 1:500 master plan approval in Q3 2014. The Long Thanh Dau Giay Highway running in front of the site is completed and is now open to the public. The 19km Metro Line No. 2 (An Suong – Thu Thiem), which is approximately 2-3 km southwest of the site, broke ground and is expected to be operating by 2020. The completion of Long Thanh Dau Giay highway and the potential section of Metro Line No.2 will significantly improve access.

VNL is working with a potential investor regarding divestment of the site. The surrounding District 2 area has seen improvements to its infrastructure, which has created interest amongst both domestic and foreign investors.

Project summary

Sector	Residential and retail
Area	30ha; approved GFA 511,203 sqm
Location	District 2, Ho Chi Minh City
History	Acquired in June 2006
	Site cleared and compensated in June 2008
	Revised 1:500 master plan in-principal approval received in Q2 2014
	Received detailed 1:500 master plan approval in Q3 2014
Investment rationale	A 30ha site located along new infrastructure corridor in a new desirable suburban area.

Danang Golf and Beach Integrated Development

The Danang Golf and Beach Integrated Development project was acquired in mid 2006. Following a partial divestment of a sub site, the project now comprises two parcels, a 28.5 ha beachfront and a 220ha inland lot separated by the coastal highway. The project broke ground in January 2008 with construction of an 18-hole golf course, The Dunes, designed by golf legend Greg Norman. The golf course and clubhouse opened in April 2010. A number of residential projects have been successfully developed including The Ocean Villas, The Dune Residences and The Point Villa's Phase 1. These initial residential phases are now sold out.

In Q2 2015, the project continued to see more activity with new launches and construction progress. Following the successful launch of the first phase and market improvements, The Point villa project (part of Danang Golf Course) had official launch of Phase 2 in April 2015 and now has 13 sales reservations out of 20 overall units. All sold villas of Phase 1 are under construction and villa foundations for reservations in Phase 2 are being completed to enable SPA's to be executed. Progressive buyer handovers will commence at the end of Q4 2015 for Phase 1 homes. The Ocean Apartment Block A (part of Danang Beach Resort) achieved practical completion on 30 June 2015 and handovers to buyers are scheduled to commence in July.

On 8 May 2015, The Danang Golf and Beach Integrated Development project received the international award for "Best Golf Development in Vietnam" at the Asia Pacific Property Awards in Kuala Lumpur. During H1 2015, overall macroeconomic factors and real estate sector continued to improve and there is evidence that the number of investor enquiries is increasing. **In accordance with VNL's realisation strategy, the Manager is working with a prospective investor regarding divestment of the site.**

Project summary

Sector	Residential (integrated resort residential)
Area	248.5 ha
Location	Danang, Central Vietnam
History	Acquired in June 2006, cleared site, under development
	Investment licence received in December 2006
	Ground breaking in January 2008
	Dunes Golf course opened in April 2010
	Beach resort parcel: 1:500 master plan received in June 2011, revised in December 2013
	Golf course parcel: 1:500 revised master plan received in December 2012
Investment rationale	A unique mixed used, seaside integrated resort with golf course well located along the coastal road of Danang City, the third largest city in Vietnam.

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-style 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 strategy is to develop the first of six zones of the 200ha site in conjunction with partial wholesale divestment to co-investors. 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 sports and recreation centre and the CBD link road was completed and opened in Q4 2013 on schedule which resulted in the strongest sales since the project launch. All infrastructure works to Zone 5 were completed including the Prosperity Lake adjacent to the display villas.

The project also won the "Best Residential Development in Vietnam" award at the Asia Pacific Property Awards in Kuala Lumpur on 8 May 2015. During the first six months of 2015, 214 sales and purchase agreements has been signed out of 332 villas launched. 175 villas have been handed over to buyers. The revision of the 1:500 Master Plan of Zone 4 was submitted to authorities dated 5 May 2015 with approval targeted for August 2015. The master plans of other zones will be revised for submission and approval from H2 2015 to 2016.

With the real estate market now improving and Government funded infrastructure continuing to develop around the project it is envisaged that this project will begin to see improvement in sales activity in H2 2015.

Project summary

Sector	Township (integrated residential)
Area	198.5ha, estimated GFA 1.2m sqm
Location	Dong Nai Province, near HCMC
History	Acquired in June 2007. Investment licence received in May 2007 Construction and sales of Zone 5 villas underway Sports and recreation centre, CBD link road, all Zone 5 infrastructure completed Working with partner to revise 1:500 master plans
Investment rationale	The site lies in the fast-growing eastern region adjacent to HCMC and will benefit from the completed transport infrastructure roll-out in Districts 2 and 9.

VinaSquare

VinaSquare was acquired in May 2007 due to its prime location in Chinatown (District 5) of Ho Chi Minh City. The project is a mixed-use residential, retail, hotel and serviced apartment development. The Investment licence was obtained in October 2008 and the 1:500 master plan was approved in October 2010. The demolition of the old factory buildings were completed in Q4 2011 and the site is fully cleared. The amended investment license was issued in Q2 2015 and it is expected that the Land Use Right Certificate will be obtained by Q3 2015.

Discussions are ongoing with interested investors.

Project summary

Sector	Mixed-use (residential, retail, office and hotel)
Area	3.1ha; estimated GFA 278,748 sqm
Location	District 5, HCMC
History	Acquired in May 2007 Investment licence received in October 2008 1:500 master plan approved in October 2010 Revised investment license received in Q2 2015 and LURC expects to be received in Q3 2015
Investment rationale	The project will serve HCMC's Chinatown, a crowded commercial and residential area surrounded by mainly low-rise buildings.

Pavilion Square

Pavilion Square is a mid to high end 'for sale' freehold residential project with a retail centre located in the city centre of District 1 of Ho Chi Minh City. The project was acquired in January 2007 and the investment licence was obtained in the same year. The revised planning parameters with a smaller retail area were approved by the authorities in December 2012 and the revised 1:500 master plan approval was received in Q4 2013. Site compensation is underway and approximately 76% is completed, with the remainder expected to be finalised by Q4 2015. The clearance of the site has been delayed however it is expected that progress will increase in H2 2015.

In conjunction with the expected completion of land compensation, the manager is working with a potential investor regarding divestment of the site.

Project summary

Sector	Mixed-use (residential and retail)
Area	1.4ha; approved GFA 156,402 sqm
Location	District 1, HCMC
History	Acquired in January 2007 Investment licence received in 2007 Revised 1:500 master plan approval received in Q4 2013 Compensation 76% completed. Expected completion of compensation in Q4 2015.
Investment rationale	The site is well-located for mid to high end residential towers with modern facilities offering freehold residential units in District 1.

Times Square Hanoi

TimeSquare is positioned in a strategic location with excellent exposure opposite the National Convention and Exhibition Centre, which has hosted 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 licences and revising master plans have been a challenge, which has led to delays in development. Due to recent changes in the master planning for the area surrounding Times Square, a revised master plan is being sought. The proposed development comprises a retail podium with office, hotel, serviced apartments and residential apartments. Licensing delays have pushed back the commencement and a new strategy is now in place, which is to divest all or part of this land parcel to facilitate an early exit.

The Manager is working with a potential investor regarding divestment of the site.

Project summary

Sector	Mixed-use (residential, retail, hotel and office)
Area	4.0ha, estimated GFA 308,510 sqm
Location	Pham Hung Road, My Dinh area – future second CBD
History	Acquired in Q1 2007 Investment licence received in May 2008 and final revised in July 2010 1:500 master plan approved in March 2010 1:500 revised master plan underway
Investment rationale	A high profile site located in a strategic location in the heart of the city's future second CBD, opposite National Convention and Exhibition Centre.

Aqua City

AquaCity 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 HCMC. Since acquisition VNL has been working with a local partner to construct the main access roads to the site with further road work required. In February 2012, the project received its 1:500 master plan approval. The demerger work is continuing. The development master plan includes affordable housing, schools, hotels, offices and shopping centres in addition to a marina, parks and waterways.

With the improvement in the real estate market in H1 2015 and increased deal activity in the adjacent District 9, it is envisaged that the Aqua City project will attract more attention from local developers in H2 2015.

Project summary

Sector	Township (residential, retail, office and hotel)
Area	250.2 ha
Location	Dong Nai Province, bordering on District 9 of HCMC
History	Acquired in 2006 1:2000 master plan approved in December 2008 1:500 master plan approved in February 2012 The demerger work ongoing
Investment rationale	A 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.

Trinity Park

Trinity Park was acquired in 2007 in order to serve the high demand in Ho Chi Minh City for mid-range housing. The project's planning follows the successful sales and exit from The Garland Villa project, a smaller VNL development also located in District 9. The 1:500 master plan for the project was approved in May 2007.

With the improving real estate market and strong growth in residential sales in District 2 and District 9 of Ho Chi Minh City, the VNL strategy is now under review with consideration given to commencing the development of this project.

Project summary

Sector	Residential (including school)
Area	33.7ha, estimated GFA 343,058 sqm
Location	District 9, HCMC
History	Acquired in November 2007 1:500 master plan approved in May 2007 Site cleared and fully compensated Discussion ongoing for site divestment
Investment rationale	Sound long-term demand for mid-range, landed residential housing in District 9, following the success of The Garland product.

Green Park Estate

The Green Park Estate project site was acquired in 2006 given its strategic location in a densely populated suburb near Ho Chi Minh City's Tan Son Nhat International Airport and only 10km from the city's CBD. This 15.7ha site has excellent exposure with over 300 metres of frontage onto Truong Chinh Street, a major arterial road with a future Metro Rail Transit (MRT) route running alongside. Currently the site is used for textile factories and warehouses. Site clearance and relocation work is in progress to facilitate development or divestment.

The strategy is to divest the project upon completion of the site clearance and obtaining necessary authority approvals.

Project summary

Sector	Residential & commercial (proposed)
Area	15.7 ha
Location	Tan Phu District , HCMC
History	Acquired in Q1 2006 Currently used as textile factories and warehouses Site clearance and relocation work in progress
Investment rationale	Strategically located in a densely populated suburb near HCMC's Tan Son Nhat International Airport

Capital Square

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, serviced apartments, a retail mall and other commercial uses and connecting public spaces. The project was partially exited in 2008 via a co-investment with a European investor for a portion of Phase 1 (2.5ha). The revised master plan of Phase 1, which comprised more residential areas was approved in August 2012, and the restructuring process to split the 9ha site into 3 separate investment licenses was successfully completed in June 2012, allowing greater flexibility in development or divestment.

In 2009, the project broke ground on the first residential tower, Azura. The Azura Tower reached completion in September 2012 and as a result has seen a marked increase in sales activity. As at 30 June 2015, VNL has signed sales and purchase agreements for approximately 80% of the tower.

Previously, VNL had divested the land portion of Phase 1, excluding the Azura Tower, to VinGroup who is a well known local developer and retail mall specialist. VinGroup has now completed the construction of a new shopping mall which opened officially on 30 June 2015. **This retail center will create an excellent adjacent amenity and act as a catalyst to drive residential demand for VNL's adjoining sites.**

Project summary

Sector	Mixed-use (commercial and residential)
Remaining Area	6.6 ha
Location	Danang City, on the river side opposite City Centre
History	Acquired in Q3 2006 Investment licence received in July 2007 Phase 1 has total of 2.5ha which partially exited with a European investor in 2008. Revised master plan of Phase 1 approved in August 2012 Azura residential apartment tower completed September 2012, and currently 78% apartments sold.
Investment rationale	A prime site located 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 its 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 practices whenever possible in its valuations 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, quarterly, and annual report with audited final results.

The methods used to value different 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 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 appraisal 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 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 value or cost as required by the International Financial Reporting Standards.

More information on valuation is available on the Investing policy 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 quarterly.

VNL Audit Committee

Nicholas Allen (Chairman)

Charles Isaac

Michel Casselman

VNL Valuation Committee

Nicholas Brooke (Chairman)

Nicholas Allen

Daniel McDonald

Historical financial information

Years ended 30 June	2010 (*)	2011 (*)	2012	2013	2014
Statement of Income (USD'000)					
Total income from ordinary activities	143,293	154,278	-42,696	-28,712	32,940
Total expenses from ordinary activities	-64,650	-110,434	-98,304	-102,896	(65,386)
Operating profit before income tax	78,643	43,844	-141,000	-131,608	(32,446)
Income tax expense	-11,190	-3,354	-8474	15,175	5,026
Profit for the year	67,453	40,490	-149,474	-116,433	(27,420)
Minority interests	17,754	25,747	-50585	-26296	(3,227)
Profit attributable to ordinary equity holders	49,699	14,743	-98,889	-90,137	(24,193)
Statement of financial position (USD'000)					
Total assets	1,260,218	1,318,847	1,134,262	929,344	929,839
Total liabilities	-587,523	-655,508	-587,914	-482,566	-509,705
Net assets	672,695	663,339	546,348	446,778	420,134
Share information					
Basic earnings per share (cents per share)	0.10	0.03	-0.20	-0.19	-0.05
Share price as 30 June	0.77	0.77	0.48	0.46	0.55
Ordinary share capital (thousand shares)	499,968	499,968	493,488	481,298	458,727
Market capitalization at 30 June (USD'000)	384,975	384,975	236,874	221,397	252,300
Net asset value per ordinary share (USD)	1.35	1.33	1.11	0.93	0.92
Ratio					
Return on average ordinary shareholder's funds	9.9%	2.9%	-16.8%	-15.4%	-4.2%
Total expense ratio (% of NAV)	2.36%	2.00%	2.39%	2.15%	2.31%

(*) 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.

Board of Directors

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

Member	Role
Michel Casselman	Non-executive Chairman (Independent)
Nicholas Allen	Non-executive Director (Independent)
Nicholas Brooke	Non-executive Director (Independent)
Charles Isaac	Non-executive Director (Independent)
Daniel McDonald	Non-executive Director (Independent)

VinaCapital Investment Management Ltd (VCIM)

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

Contact

Jonathon Trewavas	Investor Relations/ Communications ir@vinacapital.com +848-3821-9930 www.vinacapital.com
Brokers	Edmond de Rothschild Securities +44 (0)20 7845 5960 funds@lcfr.co.uk Numis Securities +44 (0)20 7260 1327 funds@numis.com

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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

Fund Administrator: HSBC Trustee (Cayman) Limited

Brokers: Edmond de Rothschild Securities (Bloomberg: LCFR), Numis Securities (Bloomberg: NUMI)

Lawyers: Wragge Lawrence Graham & Co (UK), Maples and Calder (Cayman Islands)

Base and incentive fee: The base fee is fixed at USD7.5 million per annum until 22 November 2014, 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.