

**VINALAND (VNL.L)*****VIETNAMESE REAL ESTATE FUND***

VinaCapital, managers of the Vietnam Opportunity Fund (VOF.L) have launched a new \$205m AIM-listed closed-end fund focused on Vietnamese real estate investments. The fund was heavily oversubscribed (total subscriptions exceeded \$320m) and is currently trading at \$1.17 (issued at \$1). LCF Rothschild Securities is the broker to both Vinaland and Vietnam Opportunity Fund.

FOCUS

- **Primarily Vietnam (at least 70%),** but up to 30% in neighbouring countries including Cambodia, Laos and China. Within Vietnam the main focus will be on Ho Chi Minh City, with a secondary focus on Hanoi and key leisure areas including Nha Trang, Hoi An and Danang
- **Diversified sector focus in office, retail, residential, industrial and leisure.** The funds will invest in existing projects, greenfield developments and joint ventures. Exits through sales to strategic, institutional and private investors.
- **Target ROI of 30%**

INVESTMENT CASE

The Directors believe that a combination of rapidly rising demand, shortage of supply and recent regulatory changes have created an exceptional investment opportunity, with many parallels to China ten years ago:

- **Rising demand is driven primarily by the country's vibrant economic growth - real GDP growth has averaged over 7% for the last decade.** Aside from the natural demand this growth has created for industrial and office space, it has also produced an increasingly affluent upper middle class of consumers with rising disposable incomes. 70% of the population (close to 60m people) is under 35, mostly still living with their parents. Combined with Vietnam's increased international exposure – a rising influx of tourists and multinational companies – and rapid urbanization these factors have led to increased demand for real estate across all sectors.
- **Regulatory changes:** As part of the Government's wider reform programme there have been significant regulatory changes clarifying land title, allowing increased foreign investment and improving the ability of financial institutions to provide lending on property assets. The availability of mortgages for the first time is another significant factor, although for now these remain beyond the reach of most of the population with a normal term of 10 years and a 40% deposit required.
- **Supply shortage:** Supply of office space in Ho Chi Minh City is very limited at less than 200,000 sqm compared with 5 million sqm in Manila and 4 million in Bangkok. This shortage has resulted in average office rents reaching the same levels as those of Shanghai and current occupancy levels across all sectors at around 95%. The smaller domestic property developers have been hamstrung by a shortage of capital and recent decrees requiring foundation construction prior to pre-selling.
- **Similarities to China:** The economic, legal and demographic changes occurring in Vietnam are similar to those that fuelled the explosive growth of China's real estate market which began in the late 1990s. In 2000, at the trough of Shanghai's property market prices, China's impending WTO accession prompted a series of financial, regulatory and legal reforms. China's GDP growth at the time was 7.5% while Shanghai's was 10.8%. Similarly, Vietnam's expected WTO accession in 2006/7 has spurred legal and financial changes at a time when the country is achieving GDP growth that is comparable to China's - Vietnam at 8.1% and HCMC at 11.5% last year

INVESTMENT PLANS

Over the past 9 months VinaCapital has been working on a pipeline of 15 projects for Vinaland, with a current shortlist of 8. The real estate team believes the fund will be fully invested within 12 months. They expect to sign on three deals within 6 to 8 weeks and to have invested roughly \$80m by June.

The target projects necessarily remain confidential but include mixed-use developments in Districts 1 and 2 of Ho Chi Minh City; a chain of mid-level hotels across Vietnam and a resort hotel in Hoi An.

**TRACK RECORD: VIETNAM OPPORTUNITY FUND'S REAL ESTATE INVESTMENTS**

25% of the existing Vietnam Opportunity Fund (launched Sept 03) has been invested in real estate and VinaCapital have built a 25 strong team focused solely on this sector. Some of the funds existing real estate investments are listed below. VOF will have the right to co-invest (up to 25%) in all Vinaland's projects.

- **Hung Vuong Plaza:** A mixed-use commercial and residential development located in District 5 of Ho Chi Minh City that will include the largest retail centre in Vietnam with GFA of 30,000 sqm.
 - ⇒ Total project development cost of \$50m with equity financing of 10% and the remainder from bank loans and pre-sale revenue: 80% of the apartments have been pre-sold. VOF equity is \$1.5m
 - ⇒ The development will cater to the increased property demands of one of the most densely populated sections of the city. VinaCapital will provide real estate advisory services, including finance raising and project coordination between all members of the development management team. The retail centre is targeted to be completed by September 2006 and the whole project by September 2007.
- **Petrolimex Land Holding (PLand):** PLand focuses on land-banking and property development on land vacated by the relocation of Petrolimex petrol depots. Petrolimex Corporation is the largest oil and petrochemical products enterprise in Vietnam, with more than 1,000 service stations throughout the country. PLand has development rights for all 1,000 plots of land occupied by the service stations, as well as development rights for major land holdings throughout the country. Value creation opportunities lie in the redevelopment or sale of land in areas with high economic growth.
- **Phong Phu Investment Company:** VinaCapital assisted in the establishment of Phong Phu Inv't Co., of which VOF is a major shareholder. The Company focuses on land-banking and property development on land vacated by textile companies that must relocate to industrial areas in compliance with anti-pollution laws. Value creation opportunities lie in redevelopment on and sale of land in major cities where property values are rising rapidly due to urbanization.
- **Nha Trang:** VOF has a 30% stake in TD Corporation, a company developing a five-star hotel and apartment complex in Nha Trang. Nha Trang, the coastal capital of Khanh Hoa province, is one of the premier resort towns of Vietnam. This asset, which was acquired at a steep discount from a distressed company, is situated on premium land – the center of Tran Phu Street, the deluxe beach-front hotel strip in Nha Trang which is home to the famed Ana Mandara resort. The 22-story building complex, to take up a total construction area of 47,569 sqm, will hold 250 hotel rooms and 110 apartments. Construction is expected to begin in the second quarter of 2006.
- **Vista Villas:** On behalf of the Vietnam Opportunity Fund, VinaCapital assisted in the purchase of the Joint Venture Company, Pegasus Leisure Limited, which owns and operates a water park in Ho Chi Minh City. The park, which sits on a site of almost 50,000 sqm on the banks of the Saigon River, is an ideal investment for the fund due to its redevelopment value on change from leisure to residential use. These high-end villas will cater to the rising demand for high-quality housing not far from the city centre. Construction is due to commence in the second quarter of 2006.
- **Sofitel Metropole Hanoi:** VOF has a 72% stake in Indotel, the foreign partner which owns 50% of the 5-star, 232-room Sofitel Metropole hotel in Hanoi. This prestigious French colonial-style building, which has stood in the heart of Hanoi since 1901, has a rich history of welcoming ambassadors, writers, and heads of states. The Sofitel Metropole is a member of Legends of Indochina, an elite collection of the finest historical hotels in Indochina. Significant value creation opportunities lie in the profits from hotel operations, the strength of the hotel industry in Vietnam due to limited supply and rising demand from both the tourist and corporate sector, and the historic appeal of the property