

# Vietnam Infrastructure Limited

*(An exempted company incorporated in the Cayman Islands with registration number MC-180747)*

## Admission to the AIM Market of the London Stock Exchange plc

*Fund Manager*

VinaCapital Investment Management Limited



Nominated Adviser

**Grant Thornton** 

CORPORATE FINANCE

Broker

LCF EDMOND de ROTHSCHILD  
SECURITIES LIMITED





**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 (as amended) (or, if you are a person outside of the United Kingdom, otherwise duly qualified in your jurisdiction) who specialises in advising on the acquisition of shares and other securities.

The Directors of Vietnam Infrastructure Limited (the "Company"), whose names appear on page 7 of this document, accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. This document, which constitutes an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) and is not required to be issued as a prospectus pursuant to section 85 of the UK Financial Services and Markets Act 2000 (as amended).

Application has been made for the admission of the entire issued and to be issued share capital of the Company to trading on AIM, a market operated by London Stock Exchange plc (the "London Stock Exchange"). It is expected that admission will become effective and dealings in the Ordinary Shares will commence on AIM on 5 July 2007. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange has examined or approved the contents of this document. It is emphasised that no application is being made for admission of the Company's securities to the Official List of the United Kingdom Listing Authority or any other recognised investment exchange.**

The whole of this document should be read. Attention is drawn in particular to the "Risk Factors" set out in Part 3 of this document.

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## **Vietnam Infrastructure Limited**

*(An exempted company incorporated in the Cayman Islands with registration number MC-180747)*

### **Placing of 402,100,000 new Ordinary Shares of \$0.01 each at \$1.00 per Ordinary Share and Admission to trading on AIM**

*Nominated Adviser*

**Grant Thornton Corporate Finance**

*Broker*

**LCF Edmond de Rothschild Securities Limited**

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#### **Share capital immediately following admission to trading on AIM**

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Nominal Amount</i>		<i>Number</i>	<i>Nominal Amount</i>
10,000,000,000	\$100,000,000	Ordinary Shares of \$0.01 each	402,100,000	\$4,021,000

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## **IMPORTANT INFORMATION**

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this admission document and wishing to subscribe for any Ordinary Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, this document does not constitute an offer to sell or the solicitation of an offer to buy any of the Ordinary Shares in Canada, Australia, South Africa, the Republic of Ireland, Singapore or Japan (collectively, the “Prohibited Territories”) and this document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions.

Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in the Cayman Islands, England and Wales, the United States, Belgium, Hong Kong, the Netherlands and Switzerland and are subject to change. This document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

### **For the attention of Cayman Islands residents**

No invitation or offer, whether direct or indirect, may be or has been made to the public in the Cayman Islands to subscribe for the Ordinary Shares. Neither the Cayman Islands Monetary Authority nor any other governmental authority in the Cayman Islands has passed judgment upon or approved the terms or merits of this document. There is no investment compensation scheme available to investors in the Cayman Islands.

### **For the attention of United Kingdom residents**

Neither Grant Thornton Corporate Finance nor LCF Edmond de Rothschild Securities Limited has approved this document for the purposes of the Financial Services and Markets Act 2000, as amended (“FSMA”). This document is confidential and only for distribution in the United Kingdom (i) at any time, to persons reasonably believed by the Company to be investment professionals within the meaning of Paragraph (5) of Article 19 or to high net worth companies or unincorporated associations within the meaning of Paragraph (2) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended, and (ii) prior to Admission, to persons who are qualified investors within the meaning of Section 86(7) of FSMA.

Outside the United Kingdom (and subject as provided below), this document is only being sent to persons reasonably believed by the Company to be investment professionals or to persons to whom it may otherwise be lawful to distribute it. This document is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. As the Placing Shares will be offered to fewer than 100 persons (other than qualified investors within the meaning of Section 86(7) of FSMA) per member state of the European Economic Area, the Placing will be an exempt offer of securities to the public for the purposes of Section 86 of FSMA. Accordingly, this document is not a prospectus and does not require the approval of the FSA or any other relevant authority in any other member state of the European Economic Area.

### **For the attention of United States residents**

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”), or with any securities regulatory authority of any State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, “US persons” (as defined in Regulation S under the Securities Act (“Regulation S”)). In addition, the Company and the Investment Manager have not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”), and investors will not be entitled to the benefits of that Act. Accordingly, the Company and the Investment Manager are not subject to the provisions of the Investment Company Act, except Section 12(d)(1) thereof in reliance upon certain exemptions from registration provided in the Investment Company Act. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Ordinary Shares in the United States or to US persons may constitute a violation of US law or regulation.

### **For the attention of Swiss residents**

The Company has not been and will not be licensed or authorised by the Swiss Federal Banking Commission (the “SFBC”) to publicly offer the Ordinary Shares in Switzerland and neither this document nor any other offering document has been or will be submitted to the SFBC for approval. Accordingly, the offer of the Ordinary Shares is restricted to a private placement as defined in Circular Letter N° 2003/1 of the SFBC (the “Circular Letter”). As a result, the Ordinary Shares may only be offered and this document and other materials in respect of an investment in the Company may only be distributed in or from Switzerland to (i) institutional investors (as defined in the Circular Letter), and (ii) a maximum of 20 non-institutional investors per business year. The offer of the Ordinary Shares and the distribution or disclosure of this document or any other document in respect of investing in the Company to persons other than those listed above, is strictly forbidden and may contravene Swiss law. Investors in the Company will not benefit from the protections granted by the Swiss Federal Act on Investment Funds of 18 March 1994 (as amended) or its implementing ordinance of 19 October 1994 (as amended).

### **For the attention of Belgian residents**

The Placing is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this document or any other offering material relating to the Ordinary Shares has not been, and will not be, approved by the Belgian Banking, Finance and Insurance Commission (“*Commission Bancaire, Financière et des Assurances/Commissie voor het Bank, Financie en Assurantiewezen*”). Any representation to the contrary is unlawful. LCF Edmond de Rothschild Securities Limited has undertaken not to offer sell, resell, transfer or deliver, or to take any steps thereto, directly or indirectly, any Ordinary Shares, and not to distribute or publish this document or any other material relating to the Ordinary Shares or to the Placing in a manner which would be construed as: (i) a public offering under the Belgian Royal Decree of 7 July 1999 on the public character of financial transactions; or (ii) a public offering under the Belgian law of 22 April 2003 on the public offer of shares; or (iii) an offering of securities to the public under Directive 2003/71/EC which triggers an obligation to publish a prospectus in Belgium. Any action contrary to these restrictions will cause the recipient and the issuer to be in violation of Belgian securities laws.

### **For the attention of residents of the Netherlands**

The Ordinary Shares are not, will not and may not be, offered in the Netherlands other than to professional market parties in terms of Section 1c(1)(a) of the Dutch Exemption Regulation pursuant to the Act on the Supervision of the Securities Trade 1995 (*Vrijstellingsregeling Wet toezicht effectenverkeer 1995*). Therefore, pursuant to Section 1c(1)(a) of the Dutch Exemption Regulation pursuant to the Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), the Placing is exempted from the obligation to make generally available a prospectus that has been approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*; “AFM”) or by a supervisory authority in another EU member state. No prospectus has been filed with and approved by the AFM or by a supervisory authority in another EU member state.

### **For the attention of Hong Kong residents**

The Investment Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Ordinary Shares other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Ordinary Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **For the attention of Persons Resident within the Dubai International Financial Centre**

This document relates to a collective investment fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority (“DFSA”). This document is intended for distribution only to persons of a type specified in the DFSA’s Rules (i.e. “Qualified Investors”) and must not, therefore, be delivered to, or relied on by, any other type of person. The DFSA has no responsibility for reviewing or verifying any documents in connection with this collective investment fund. Accordingly, the DFSA has not approved this document or any other associated documents nor taken any steps to verify the information set out in this document, and has no responsibility for it. The Ordinary Shares offered should conduct their own due diligence on the Ordinary Shares. If you do not understand the contents of this document you should consult an authorised financial adviser.

### **For the attention of German residents**

The Ordinary Shares are neither registered for public distribution with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht - “BaFin”*) according to the German Investment Act (*Investmentgesetz*) nor listed on the German exchange. No sales prospectus pursuant to the German Securities Prospectus Act (*Wertpapierprospektgesetz*) has been filed with the BaFin. Consequently, the Ordinary Shares may not be distributed within Germany by way of a public offer, public advertisement or in any similar manner. This document and any other document relating to the Ordinary Shares, as well as information or statements contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of the Ordinary Shares to the public in Germany or any other means of public marketing.

Any resale of the Ordinary Shares in Germany may only be made in accordance with applicable laws in the Federal Republic of Germany. No view on taxation is expressed. Prospective investors in Germany are urged to consult their own tax advisers as the tax consequences that may arise from an investment in the Ordinary Shares.

### **For the attention of Danish residents**

This document has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark.

The Ordinary Shares have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless in compliance with Chapter 6 or Chapter 12 of the Danish Act on Trading in Securities and executive orders issued pursuant thereto as amended from time to time or in compliance with Chapter 4 of the Danish Act on Investment Associations, Special-Purpose Associations as well as Other Collective Investments Schemes, etc. and executive orders issued pursuant thereto as amended from time to time.

### **For the attention of residents in Singapore**

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares may not be circulated or distributed, nor may Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”),

(ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Ordinary Shares are subscribed or purchased in Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Ordinary Shares pursuant to an offer made under Section 275 except:

- (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;
- (2) where no consideration is or will be given for the transfer; or
- (3) where the transfer is by operation of law.

### **Forward-looking statements**

This document contains forward-looking statements. These relate to the Company's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1, 2 and 4 of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

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## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

### Directors

Don Di Lam, *Chairman*  
Horst Joachim Franz Geicke  
Paul Cheng Ming Fun  
Ekkehard Goetting  
Ly Luong Van

all non-executive and all of

### Registered Office

PO Box 309GT  
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Cayman Islands

### Investment Manager

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### Legal Adviser to the Company

*(as to Vietnamese law)*  
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### Legal Adviser to the Company

*(as to Cayman Islands law)*  
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### Legal Adviser to the Nominated Adviser and Broker

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### Reporting Accountants

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### Tax Adviser

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Ho Chi Minh City, Vietnam

### Administrator, Custodian and Registrar

HSBC Institutional Trust Services (Asia) Limited,  
39/F Dorset House, 979 King's Road  
Quarry Bay, Hong Kong

### Market Analyst

Mekong Research Limited  
92 Nam Ky Khoi Nghia, District 1  
Ho Chi Minh City, Vietnam

### Auditors

KPMG Limited, 10th Floor, Sun Wah Tower  
115 Nguyen Hue Boulevard  
District 1, Ho Chi Minh City  
Vietnam

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Administration Agreement”	the agreement entered into between the Company and the Administrator dated 29 June 2007, further details of which are set out in paragraph 7.5 of Part 8 of this document
“Administrator”, “Custodian” or “Registrar”	HSBC Institutional Trust Services (Asia) Limited
“Admission”	the admission of the entire issued and to be issued share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
“Advisory Panel”	the advisory panel established by the Investment Manager and comprising initially Messrs. Paul Ow and Markus Winkler
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the rules governing the operation of AIM comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers
“AIM Rules for Companies”	the AIM Rules for Companies as published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM Rules for Nominated Advisers as published by the London Stock Exchange from time to time
“Articles”	the Articles of Association of the Company
“Board” or “Directors”	the directors of the Company
“Broker” or “LCF Rothschild”	LCF Edmond de Rothschild Securities Limited
“BOT”	Build-Operate-Transfer
“BOT Contract”	specifically under the BOT Decree, a BOT contract entered into by an authorised state body of Vietnam and an investor(s) for the construction and commercial operation of an infrastructure facility for a certain period of time; upon expiry of such period, the investor(s) shall transfer, without compensation, such facility to the Vietnamese State
“BOT Decree”	Decree No.78/2007/ND-CP dated 11 May 2007 issued by the Office of the Vietnamese Government on investment in the form of Build-Operate-Transfer (BOT), Build-Transfer-Operate (BTO) and Build-Transfer (BT) Contracts
“BOT Project”	specifically under the BOT Decree, any project carried out in the form of any Project Contract
“BT Contract”	specifically under the BOT Decree, a Build-Transfer contract, entered into by an authorized state body and an investor(s) for the construction of an infrastructure facility upon completion of which the Investor(s) shall transfer such facility to the Vietnamese State. The Vietnamese Government shall facilitate the implementation of other project(s) by the investor(s) in order to recover the invested capital and earn profits or shall make payments to the investor(s) under the agreement in the BT Contract
“BTO Contract”	specifically under the BOT Decree, a Build-Transfer-Operate contract, entered into by an authorised state body and an investor(s) for the construction of an infrastructure facility upon completion of which the investor(s) shall transfer such facility to the State. The Vietnamese Government shall grant the investor(s) the right to commercially operate the facility for a certain period of time in order to recover the invested capital and earn profits

“Business Day”	any day (except Saturday) on which banks are open for usual business in London, Hong Kong and Vietnam, provided, that where as a result of a Number 8 Typhoon Signal, Black Rainstorm Warning or other similar event, the period during which banks in Hong Kong are open on any day is reduced, such day shall not be a Business Day unless the Investment Manager and the Administrator otherwise determine
“Buyback Programme”	a programme to use realised profits to effect buybacks of Ordinary Shares by means of a tender offer by the Company
“Civil Procedures Code”	the Law on Civil Procedures, adopted by the Vietnamese National Assembly on 15 June 2004
“Clearstream”	the system of paperless settlement of trades and the holding of shares without share certificates administered by Clearstream Banking SA
“Companies Law”	The Companies Law (2004 Revision) (as amended) of the Cayman Islands
“Company”, “Vietnam Infrastructure” or “VNI”	Vietnam Infrastructure Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Custody Agreement”	the agreement entered into between the Company and the Custodian dated 29 June 2007, further details of which are set out in paragraph 7.6 of Part 8 of this document
“DFJ VinaCapital”	DFJ VinaCapital L.P, a Cayman Islands exempted limited partnership that invests, holds and distributes a portfolio of securities of technology companies based primarily in Vietnam
“EEA”	the European Economic Area
“Enterprise Law”	the Law on Enterprises, adopted by the Vietnamese National Assembly on 29 November 2005
“Euroclear”	the system of paperless settlement of trades and the holding of shares without share certificates administered by Euroclear Bank
“FSA”	the UK Financial Services Authority
“FSA Handbook”	the FSA Handbook of Rules and Guidance (as amended and replaced from time to time)
“GDP”	gross domestic product
“Government” or “State”	the government of the Socialist Republic of Vietnam
“Grant Thornton Corporate Finance”	the corporate finance division of Grant Thornton UK LLP which is authorised in the UK by the FSA to carry on investment business
“Grant Thornton UK LLP”	a limited liability partnership registered in England and Wales whose principal place of business is Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and which is the UK member firm of Grant Thornton International
“Gross Asset Value”	the value of the Company’s assets, as determined in accordance with guidelines laid down by the Board from time to time, further details of which are set out in paragraph 4 of Part 4 of this document
“HCMC Trading Centre”	the Ho Chi Minh City Securities Trading Centre, a stock trading centre in Vietnam, located in Ho Chi Minh City
“IFRS”	International Financial Reporting Standards
“Investee Company”	a special purpose vehicle through which the Company will hold its investments

“Investment Committee”	the committee established by the Board to assess and approve all investments and divestments and comprising Mr. Don Lam, Mr. Horst Geicke, Mr. Christopher Gradel and Mr. William Lean
“Investment Management Agreement”	the agreement entered into between the Investment Manager and the Company dated 29 June 2007, further details of which are set out in paragraph 7.4 of Part 8 of this document
“Investment Law”	the Law on Investment adopted by the Vietnamese National Assembly on 29 November 2005
“London Stock Exchange”	London Stock Exchange plc
“Market Report”	the report dated 10 April 2007 by Mekong Research Limited on Vietnam’s infrastructure market and set out in its entirety in Part 6 of this document
“Net Asset Value”	the value of the Company’s assets less its liabilities, as determined in accordance with guidelines laid down by the Board from time to time, further details of which are set out in paragraph 4 of Part 4 of this document
“Net Asset Value per Share”	the Net Asset Value divided by the number of the Ordinary Shares in issue from time to time
“Ordinary Shares”	ordinary shares of \$0.01 each in the capital of the Company
“OTC Market”	a non-centralised network of broker-dealers, intermediaries, sellers and buyers in Vietnam through which shares of various unlisted companies are traded
“Placing”	the conditional placing of the Placing Shares by the Investment Manager on behalf of the Company at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement entered into by and among the Company, the Investment Manager, the Directors, Grant Thornton UK LLP and LCF Rothschild dated 29 June 2007, further details of which are set out in paragraph 7.3 in Part 8 of this document
“Placing Price”	\$1.00 per Ordinary Share
“Placing Shares”	402,100,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Project Contract”	under the BOT Decree, a BOT Contract, BTO Contract or BT Contract
“Project Enterprise”	under the BOT Decree, any enterprise set up by an investor in accordance with the laws of Vietnam to organise and manage the business activities of the BOT Project
“Regulatory Information Service Provider”	a regulatory information service that is approved by the FSA
“SEC”	the US Securities and Exchange Commission
“Shareholders”	the holders of Ordinary Shares
“SOE”	a state-owned enterprise in Vietnam
“US”, “USA” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and District of Columbia and all other areas subject to its jurisdiction
“Valuation Date”	the last Business Day of each quarter or such other day as the Directors may prescribe

“Vietnam Opportunity Fund” or “VOF”	Vietnam Opportunity Fund Limited, an AIM traded investment company incorporated in the Cayman Islands that invests in listed and unlisted companies, debt, assets and other investment opportunities in Vietnam and surrounding Asian countries and whose assets are managed by VinaCapital
“VinaCapital” or “Investment Manager”	VinaCapital Investment Management Ltd, a company incorporated in the British Virgin Islands and acting as investment manager to the Company pursuant to the Investment Management Agreement
“VinaLand” or “VNL”	VinaLand Limited, an AIM traded investment company incorporated in the Cayman Islands that engages in property investment and development in Vietnam and surrounding Asian countries and whose assets are managed by VinaCapital
“VND” or “Vietnamese Dong”	Vietnamese dong
“WTO”	the World Trade Organisation
“\$” or “US Dollars”	United States dollars

## EXPECTED TIMETABLE

Publication of AIM admission document on	29 June 2007
Admission of the Ordinary Shares to trading on AIM and commencement of dealings	8:00 a.m. (London time) on 5 July 2007
Crediting (where applicable) of Euroclear/Clearstream stock accounts in respect of the Ordinary Shares by	5 July 2007
Share certificates (where applicable) in respect of Ordinary Shares dispatched by	16 July 2007

*Save in relation to the date on which the admission document is published, each of the times and dates in the above timetable are subject to change. All references to time are to British Summer Time.*

## PLACING STATISTICS

Placing Price	\$1.00
Market capitalisation of the Company at the Placing Price on Admission	\$402,100,000
Number of Ordinary Shares being issued pursuant to the Placing	402,100,000
Number of Ordinary Shares in issue on Admission	402,100,000
Estimated initial Net Asset Value per Share on Admission*	\$0.968
Estimated net proceeds of the Placing receivable by the Company	\$389,311,050

\* Figure obtained by dividing the estimated net proceeds of the Placing by the total number of Ordinary Shares in issue on Admission.

## EXCHANGE RATES

All references to \$ are to US Dollars, to £ are to UK Pounds Sterling and to VND are to Vietnamese Dong. The rates of exchange at the close of business in London on 29 June 2007 are \$1.00 = VND 16,229.6 and \$1.00 = £0.499.

## SUMMARY INFORMATION

The attention of potential investors is drawn to the risk factors set out in Part 3 of this document. The Ordinary Shares are only suitable for investors who understand the potential risk of capital loss, that there may be limited liquidity in the underlying investments of the Company, for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company. The following information should be read as an introduction to the full text of this document and any decision to invest in the Ordinary Shares should be based on consideration of the full text of this document and not solely on the information in this “Summary Information” section or any other information summarised in this document.

### The Company

Vietnam Infrastructure Limited is a newly incorporated, closed-end Cayman Islands registered, exempted company established to invest in a diversified portfolio of infrastructure and infrastructure related assets in Vietnam and surrounding Asian countries.

In Vietnam, an increase in population and GDP growth of over 7.5 per cent. over the last ten years have combined with general under-investment in infrastructure and other socio-economic forces to result in increased demand for and investment opportunities in infrastructure. The Company and the Investment Manager believe that they are well-placed to capitalise on such opportunities and the Company intends to focus investments in the key sectors of energy, transport, water and telecommunications in Vietnam. The Directors and the Investment Manager believe the Company will be the first AIM traded investment vehicle that is dedicated to infrastructure investment in Vietnam and the surrounding region.

### The Investment Manager and Track Record

The Company has appointed VinaCapital Investment Management Ltd as its investment manager. VinaCapital was established in 2003 and operates a fund management and advisory business out of its headquarters in Ho Chi Minh City and offices in Hanoi and Hong Kong, and draws on the talents of over 130 professionals.

VinaCapital currently acts as investment manager to Vietnam Opportunity Fund (“VOF”), an investment company focused on Vietnam, and to VinaLand (“VNL”), an investment company established to engage in property investment and development in Vietnam and surrounding Asian countries. Since VOF was admitted to AIM in September 2003, its market value has increased from approximately \$10 million to approximately \$891 million as at 29 June 2007. VNL’s market value has increased from approximately \$200 million since its admission to AIM in March 2006, to approximately \$776 million as at 29 June 2007. VinaCapital also manages DFJ VinaCapital, an unlisted limited partnership investment vehicle focused on Vietnamese technology companies. The Investment Manager has also established an Advisory Panel to allow the Company to draw on the experience of international and local infrastructure specialists and professionals. In addition, the Company has established an Investment Committee, comprised of individuals with infrastructure investment, financial and business backgrounds and extensive hands-on, local experience.

### Investment Opportunity and Objective

In Vietnam, an increase in population and general under-investment in infrastructure in recent years, combined with strong and sustained economic growth, improved international integration and expansion in international tourism have resulted in increased pressure on existing infrastructure assets and have strengthened demand for infrastructure development in all sectors of the economy. The Government has limited access to resources and reduced access to official development aid and is not expected to fully provide all of the country’s anticipated infrastructure funding requirements of \$140 billion to 2020. Government policies have been implemented to encourage private companies to invest in infrastructure and to foster cooperation with state-owned undertakings, which creates an opportunity for the private sector to invest in this emerging asset class. Private sector participation in Vietnam infrastructure assets currently accounts for 15 per cent. of the total investment in infrastructure assets but the Directors and the Investment Manager expect private investment to grow significantly in the coming years.

The Company’s principal investment objective is to provide Shareholders with capital appreciation by investing in a diversified portfolio of entities owning infrastructure projects and assets in Vietnam and

surrounding Asian countries. The Company will not invest in an investment unless the Directors and the Investment Manager believe that it will generate a minimum internal rate of return of 20 per cent. Based on the Investment Manager's experience of investing in infrastructure assets and to maximize the investment opportunity, the Directors and the Investment Manager intend to build a diversified portfolio of operating, distressed or stalled and greenfield development infrastructure assets and will focus primarily on the energy, transport, water and telecommunications sectors.

## **The Placing**

On 29 June 2007, the Company, the Investment Manager, the Directors and Grant Thornton UK LLP and LCF Edmond de Rothschild Securities Limited entered into the Placing Agreement pursuant to which the Investment Manager agreed, to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price which are allocated pursuant to the Placing. For its services in connection with the Placing, the Investment Manager is entitled to commission equal to three per cent. of the gross proceeds of the Placing. All such subscriptions will be at the Placing Price. The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including Admission occurring on or before 5 July 2007 (or such later date as the Company, the Investment Manager, Grant Thornton UK LLP and LCF Rothschild may agree (not being later than 30 July 2007)). Certain conditions are not capable of waiver. The Placing Agreement contains provisions entitling the Investment Manager, Grant Thornton UK LLP and/or LCF Rothschild to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. Further details of the terms of the Placing Agreement are set out in paragraph 7.3 of Part 8 of this document.

## **Fees and Expenses**

### *Formation and Initial expenses*

The formation and initial expenses of the Company are those that are necessary for the incorporation and organisation of the Company and in order to effect the Placing. Such expenses will include fees payable to the Investment Manager, or other promoters in connection with the Placing, listing and Admission fees, printing, advertising and distribution costs, legal and accounting fees and any other related expenses. These expenses will be met by the Company out of the proceeds of the Placing and will be paid on or after Admission. The Directors do not anticipate that these formation and initial expenses will exceed five per cent. of the gross proceeds of the Placing.

### *Ongoing and Annual Expenses*

The Company will also incur ongoing and annual expenses. These expenses will include, among others, the fees payable to the Investment Manager and the Directors. The Directors as a group will initially be paid an aggregate fee of \$130,000 per annum. The Directors' fees payable to Messrs. Geicke and Lam shall be paid to the Investment Manager for so long as each is interested in the Investment Manager. Other ongoing operational expenses of the Company include, among others, interest payments, bank fees, regulatory fees, legal fees, acquisition and disposal fees where the service is provided by someone other than the Investment Manager, insurance costs, audit fees and other applicable expenses. It is estimated that the total expenses of the Company for the period ending 30 June 2008 (excluding the initial expenses of the Company) are not expected to exceed five per cent. per annum of the Net Asset Value, annualised over this period.

### *Management Fees*

Under the Investment Management Agreement, the Investment Manager will receive an aggregate annual management fee equal to one twelfth of two per cent. of the monthly Gross Asset Value which fee shall be payable in US Dollars monthly in arrears on the last Business Day of each month based upon the last preceding published quarterly Net Asset Value.

The Investment Manager is also entitled to a performance fee amounting to 20 per cent. of the annual increase in Net Asset Value over the higher of an annualized compounding hurdle rate of eight per cent. or a "high water mark" requirement and subject to an Investment Manager's "catch-up". The Investment Management Agreement will be for an initial two year period commencing on Admission and is terminable on six months' prior written notice given at any time expiring on or after the second anniversary of Admission. Further details of the Investment Management Agreement are set out in paragraph 7.4 of Part 8 of this document.



# PART 1

## THE COMPANY

### 1. Introduction

Vietnam Infrastructure Limited is a newly incorporated, closed-end Cayman Islands registered, exempted company established to invest in a diversified portfolio of infrastructure and infrastructure-related assets in Vietnam and surrounding Asian countries.

In Vietnam, an increase in population and GDP growth of over 7.5 per cent. over the last ten years have combined with general under-investment in infrastructure and other socio-economic forces to result in increased demand for and investment opportunities in infrastructure. The Company and the Investment Manager believe that they are well-placed to capitalise on such opportunities and the Company intends to focus investments in the key sectors of energy, transport, water and telecommunications in Vietnam. The Directors and the Investment Manager believe the Company will be the first AIM traded investment vehicle that is dedicated to infrastructure investment in Vietnam and the surrounding region.

The Company has appointed VinaCapital Investment Management Ltd. as its investment manager. VinaCapital was established in 2003 and operates a fund management and advisory business out of its headquarters in Ho Chi Minh City and offices in Hanoi and Hong Kong, and draws on the talents of over 130 professionals. VinaCapital currently acts as investment manager to Vietnam Opportunity Fund, an investment company focused on Vietnam, and to VinaLand, an investment company established to engage in property investment and development in Vietnam and surrounding Asian countries. VinaCapital also manages DFJ VinaCapital, an unlisted limited partnership investment vehicle focused on Vietnamese technology companies. The Investment Manager has also established an Advisory Panel to allow the Company to draw on the experience of international and local infrastructure specialists and professionals. In addition, the Company has established an Investment Committee, comprised of individuals with infrastructure investment, financial and business backgrounds and extensive hands-on, local experience.

### 2. Investment opportunity

Infrastructure assets provide everyday services that by their nature have consistent, inelastic demand, generally over an extended life. Infrastructure assets are likely to be of high-value and have large replacement costs which can create a high barrier to competitors who might enter the market. There is also little likelihood of infrastructure assets being rendered obsolete as a result of advances in technology and, in general, such assets do not require significant ongoing capital expenditure or maintenance in respect of such technological advances. When purchased at a fair price and properly operated, infrastructure assets can be a source of reliable cash flows that may increase over time. As such, the Investment Manager believes infrastructure assets are becoming increasingly attractive to private equity investors.

In Vietnam, an increase in population and general under-investment in infrastructure in recent years, combined with strong and sustained economic growth, improved international integration and expansion in international tourism have resulted in increased pressure on existing infrastructure assets and have strengthened demand for infrastructure development in all sectors of the economy. The Government has limited access to resources and reduced access to official development aid and is not expected to fully provide all of the country's anticipated infrastructure funding requirements of \$140 billion to 2020. Government policies have been implemented to encourage private companies to invest in infrastructure and to foster cooperation with state-owned undertakings, which creates an opportunity for the private sector to invest in this emerging asset class. Private sector participation in Vietnam infrastructure assets currently accounts for 15 per cent. of the total investment in infrastructure assets but the Directors and the Investment Manager expect private investment to grow significantly in the coming years.

Having operated in the region for nearly four years, VinaCapital has developed a strong local network of business contacts and extensive investment experience in Vietnam. As such, the Directors and the Investment Manager believe the Company and the Investment Manager are well-placed to take advantage of attractive infrastructure investment opportunities in Vietnam and surrounding countries. Further details of VinaCapital's track record are set out in paragraph 6 of Part 1 of this document.

### 3. Investment objective

The Company's principal investment objective is to provide Shareholders with capital appreciation by investing in a diversified portfolio of entities owning infrastructure projects and assets in Vietnam and surrounding Asian countries. The Company will not invest in an investment unless the Directors and the Investment Manager believe that it will generate a minimum internal rate of return of 20 per cent.

The Investment Manager intends to invest at least half of the net proceeds of the Placing within 12 months of Admission, with the balance being invested within 18 months of Admission, subject to standard holdbacks for potential follow-on investments and future management fees. If no investments have been made by the Company within two years of Admission, the Directors have undertaken to propose a resolution for the winding-up of the Company.

### 4. Investment strategy

The Company intends to invest and hold equity, debt and hybrid instruments in unquoted companies that themselves hold, develop or operate infrastructure assets. The Company may also invest in entities whose shares or other instruments are listed on a stock exchange, including the OTC Market. The Company may also invest in other funds that invest in infrastructure assets.

Based on the Investment Manager's experience of investing in infrastructure assets and to maximize the investment opportunity, the Directors and the Investment Manager intend to build a diversified portfolio of infrastructure assets. The Company and the Investment Manager intend to allocate investments spread equally among the following key areas:

- **Operating projects.** Operating infrastructure projects which may become available through a secondary sale or the equitisation of SOEs. These assets generally already demonstrate existing revenue streams and therefore may provide steady returns at lower risk.
- **Distressed or stalled projects.** Entering into partnerships with credible and reputable infrastructure developers to exploit distressed or stalled infrastructure projects. The Investment Manager believes these projects have the potential for substantial returns and may be acquired at a discount to value.
- **Greenfield developments sites.** Developing of new infrastructure projects required to service growing populations or to replace existing infrastructure developments on greenfield sites (for example land which has not been previously developed). These types of investments will typically be undertaken in partnership with credible and reputable infrastructure developers.

The Company will not be restricted as to infrastructure asset classes in which it may invest. However, VNI intends to focus primarily on the following four infrastructure asset classes in Vietnam:

- **Energy.** Electricity demand is expected to grow at approximately 15 to 17 per cent. per annum between 2007 and 2010. It is estimated that energy output needs to increase from approximately 59 billion Kwh in 2006 to 98 billion Kwh in 2010. Electricity of Vietnam ("EVN"), the current national energy provider and an SOE, is struggling to cope with the surge in demand and the private sector is expected to make up the balance. The energy sector has many opportunities for new investors such as developing or investing in independent power plants ("IPPs"), equitised EVN assets, or buying into suppliers of raw materials for EVN and IPP's.
- **Transport.** Between 1999 and 2005, freight demand on Vietnam's roads increased by an average of eight per cent. per annum, and reached approximately 18 per cent. in key economic areas such as Hanoi and Ho Chi Minh City. The growth in passengers per kilometre also increased by approximately 7.7 per cent. over the same period. This has increased the pressure on Vietnam's road network which suffers from historic underinvestment. The Vietnamese government encourages foreign investment in transport projects through special incentive plans such as BOT projects. The HCMC local government has created a list of roads and bridge projects for foreign investment.
- **Water Utilities.** According to the World Bank, investment needs of both rural and urban water and sanitation by 2020 are estimated at \$600 million annually. There are many opportunities for the private sector to invest in equitising water sanitation or supply companies and in the development of water sanitation and distribution infrastructure.
- **Telecommunications.** Vietnam is one of the fastest growing telecommunication markets in the world (in terms of increase by new subscribers). The average growth in total teledensity (telephone lines per 100 population) was approximately 42 per cent. per annum. Vietnam is also

one of the fastest growing communications markets in Asia in terms of revenue growth. The estimated total industry revenue was approximately \$2 billion in 2005 and is expected to reach \$5 billion in 2010. Additionally, liberalization of the sector post-Vietnam's accession to the WTO is creating more opportunities for private sector investments.

Vietnamese law currently restricts the level of foreign investment in certain infrastructure sectors, further details of these restrictions are summarised in Part 3 of this document under the heading "Regulatory risk".

## 5. Investment policies and restrictions

The Company intends to invest in a diverse portfolio of infrastructure assets whilst adhering to the following investment policies and restrictions:

- **Geographical focus:** At least 70 per cent. of the Gross Asset Value will be invested in Vietnam. The Company's primary focus will be Ho Chi Minh City, Hanoi and other key economic areas, including but not limited to Danang and Can Tho. Up to a maximum of 30 per cent. of the Gross Asset Value may be invested in surrounding Asian countries should the Directors consider that such investments would offer potentially attractive returns.
- **Type of investments.** Investments will be funded by way of cash. Ordinary Shares will not be used as consideration for any investment. Investments will be made through special purpose vehicles established offshore to hold investments ("Investee Companies"). This structure is required under Vietnamese law.
- **Investment size.** The Company intends that each investment will be a minimum of \$5 million per investment, but initial investments may be smaller if the Company anticipates that follow-on investments will be required. No one initial investment will exceed 30 per cent. of the Company's Net Asset Value at the time of investment and no investment in any other fund will exceed 10 per cent. of the Company's Net Asset Value at the time of investment.
- **Control of investments.** The Company will seek to own a substantial interest in its investments and, where necessary, to secure adequate minority protection rights.
- **Realisation of investments.** The Company will aim to realise individual investments when the Investment Manager and the Investment Committee, believe the realisation would be in the best interests of the Company and would fulfil its investment objective. In the event that the potential value of the investment to be disposed of is equal to or exceeds 20 per cent. of the Net Asset Value, majority Board approval will also be required. The Company intends to effect exits through disposals of its interests to institutional and private investors or through a trade sale.
- **Uninvested funds.** Cash pending investment, reinvestment or distribution will be placed in bank deposits, bonds or government-issued treasury securities, or in capital-guaranteed schemes offered by major global financial institutions, in order to protect the capital value of the Company's cash assets. In order to hedge against interest rate risks or currency risk, the Company may, where appropriate, also enter into forward interest rate agreements, forward currency agreements, interest rate and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates.

The Directors will review the investment policies set out in this document on an annual basis and, subject to their review and in the absence of unforeseen circumstances, the Company intends to adhere to these policies for at least three years following Admission. Changes to the investment policies may be prompted, *inter alia*, by changes in government policies or economic conditions which alter or introduce additional investment opportunities. In the event of a breach of any investment restriction, the Investment Manager shall inform the Board upon becoming aware of the same and the Board shall discuss such breach with the Company's nominated adviser to determine if any notification shall be made to a Regulatory Information Service Provider.

## 6. Track record

VinaCapital Investment Management Ltd is a leading fund management company and investment bank based in Vietnam. It was incorporated in 2003 under the laws of the British Virgin Islands and currently manages four Vietnam-specific funds, including Vietnam Opportunity Fund and VinaLand, both of which are admitted to trading on AIM, and DFJ VinaCapital L.P., a \$50 million venture capital fund.

Vietnam Opportunity Fund (AIM: VOF) is a closed-end investment company traded on AIM. VOF focuses on the key growth sectors of the domestic Vietnamese economy including financial services, retail,

consumer goods, tourism, property, infrastructure and technology. In addition, VOF invests in equity and debt securities of listed, OTC Market-traded and private companies, and participates in SOE privatizations. Since its admission to AIM in September 2003, VOF's market value has increased from approximately \$10 million to approximately \$891 million as at 29 June 2007. According to LCF Rothschild Country Funds Research, VOF was the best performing Vietnam fund in 2004.

VinaLand (AIM: VNL) is a closed-end property investment company traded on AIM. VinaLand focuses on the key growth sectors of Vietnam's emerging real estate market including residential, office, industrial, and leisure. Since its admission to AIM in March 2006, VNL's market value has increased from approximately £200 million to approximately £776 million as at 29 June 2007.

DFJ VinaCapital L.P. is a Cayman Islands exempted limited partnership which seeks to achieve capital appreciation through the acquisition, holding and disposal of private, listed and OTC Market-traded technology companies.

**Potential investors should note the past performance of VOF, VNL or other funds managed by the Investment Manager are not necessarily a guide to the future performance of the Company or an indication of the likely projects in which the Company may invest.**

## **7. Potential Investment Opportunities**

The Investment Manager has identified a number of potential investment opportunities for the Company. While the Company does not have a legally binding agreement in place relating to any potential investment, the Investment Manager is currently in discussions relating to the following:

- two OTC listed companies which supply piped water to retail customers in Ho Chi Minh City. One such water company has an estimated growth of 70 per cent. between 2006 and 2008, defined by new water metres to be installed, due to the early stage of the urbanisation in Ho Chi Minh City. The second water company has estimated growth of 35 per cent. in the same period as it looks to develop new markets;
- a company listed on the HCMC Trading Centre engaged in infrastructure investment and the provision of infrastructure services for industrial zones. The main holding of the company is a 443 hectare industrial park which has 227 lessees and a rental value of \$80 to \$100 per square metre;
- a company listed on the HCMC Trading Centre and based in south east Vietnam which owns and operates a hydropower plant. The current total annual output is approximately 300 million kilowatt hours per annum and the company is planning to expand by building more hydro power plants;
- a major Indochina telecom operator seeking to sell and lease-back its base stations. The operator is seeking to divest 1000 base stations and aiming to reach 3000 base stations within three years;
- a submarine cable project to carry electricity, internet and television cables from mainland Vietnam to an island identified as an upcoming major tourist destination. The company will purchase the electricity, internet and television cables on wholesale rates from mainland Vietnam and sell them at a premium to the island. The estimated project cost is approximately \$46 million, and the shore to shore length of the cable is 46 kilometres;
- a 68 kilometre toll road with six lanes and two toll collection stations linking the key industrial and residential zones of Ho Chi Minh City and Binh Duong. This is a 35 year BOT project which began operations in 2002 and has demonstrated steady revenue;
- a 750 MW IPP natural gas fired power plant project which is to be built in the high growth economic province of Binh Duong. The majority of the electricity generated will be sold to industrial parks and excess power is to be sold directly to EVN;
- a 50 year greenfield BOT project for a 29 kilometre highway with six lanes of traffic. The total investment costs are projected to be \$80 million and the government is seeking \$52 million of this amount from outside investors;
- a 2.8 kilometre bridge over the Mekong Delta, currently a distressed asset, linking two southern provinces. The bridge should be completed by January 2008 and requires an estimated total investment of \$62 million;

- a major new tourist airport which has been approved for a high-growth tourist destination. The airport currently serving the region receives approximately 100,000 tourists, including 40,000 foreigners each year; and
- a port in southern Vietnam located along the widest segment of the Soai Rap River, approximately 70 minutes to Ho Chi Minh City by road and 60 minutes by water.

The completion of any transaction relating to any of the investments listed above will depend upon, *inter alia*, satisfactory due diligence and the execution of mutually satisfactory legally binding agreements. As such, at the date of this document, there is no guarantee that the Company will complete any of the potential investments nor is the Placing conditional upon the Company investing in any of these potential investments.

## **8. Investment process**

VinaCapital, drawing on its considerable experience of investing in Vietnam and wide network of business contacts in the region, will carefully select a limited number of investment opportunities by adhering to a thorough investment process that includes extensive market research and due diligence. The Investment Committee (comprised initially of Messrs. Don Lam, Horst Geicke, Christopher Gradel and William Lean, whose biographies are set out in Part 2 of this document) is appointed by the Board and is responsible for considering and approving any investment the Investment Manager believes is suitable for the Company.

The Investment Manager will present each investment opportunity to the Investment Committee and, where required, to the Board. The Investment Manager will prepare a report covering the key aspects of the proposed investment. In the first instance, the Investment Committee will review the investment and the unanimous approval of the Investment Committee must be secured before the investment is undertaken by the Company. In cases where an investment would require funding that is equal to or exceeds 20 per cent. of the Net Asset Value, the investment must also be presented to the Board for its consideration and majority approval. In these circumstances the investment will only be undertaken by the Company following majority approval by the Board. In the case of an acquisition, the Investment Manager will coordinate due diligence on the investment prior to completion and will have the ability to retain, if it considers necessary, external accounting, legal, traffic, operational and environmental consultants to perform due diligence at the expense of the Company. In the case of a disposal, the Investment Manager will seek unanimous approval from the Investment Committee by presenting a detailed report covering the key aspects of the proposed disposition and, in the event that the potential value of the investment to be disposed of is equal to or exceeds 20 per cent. of the Net Asset Value, majority Board approval will also be required. The Investment Manager will take a hands-on management approach towards all investments made by the Company and after an investment is made, VinaCapital will continue to provide advice on the design and exit strategy for each investment at the appropriate time.

## **9. Co-investments and third party investors**

In cases where investments are too large for the Company given its diversification requirements or where the Company has insufficient funds, the Company may co-invest in investment opportunities with third party investors, or invite third party investors to co-invest in investment opportunities led by the Company, including entities that are affiliated with or managed by the Investment Manager (such as VOF, VNL or DFJ VinaCapital) or its affiliates. The Company may also invest in partnership with SOEs or by way of joint venture partnerships with reputable developers. Such third party investors may have investment objectives and policies that differ from those of the Company. Although the Company may not have control over these investments and may therefore have a limited ability to protect its position therein, the Investment Manager expects appropriate rights will be negotiated to protect the Company's interests. Shareholders or other affiliates of the Investment Manager may also be invited to co-invest in Investee Companies on terms no more favourable than the terms on which the Company invests. This invitation will only be made when the Investment Manager is satisfied that the interests of the Company and its Shareholders will not be prejudiced by such invitations.

## **10. Conflicts management**

Under the terms of the Investment Management Agreement, the Investment Manager is required to devote its time and attention to the affairs of the Company and not to establish other investment funds or investment companies which have a similar investment focus to the Company until such time as 70 per cent. of the net proceeds of the Placing are committed to investments. After this level of capital is committed, the Investment Manager will be free to manage or establish other investment

funds or investment companies that might have an investment focus that is competitive with that of the Company.

The Investment Manager currently manages VOF, VinaLand and DFJ VinaCapital and may from time to time act for other clients that have investment policies that overlap with the investment policy of the Company. There may be circumstances where investment opportunities sourced by the Investment Manager are suitable for one or more of VNI, VOF, VinaLand, DFJ VinaCapital, or another VinaCapital client. When such conflicts arise, the Company will have a pre-emptive right to invest in any infrastructure or infrastructure-related opportunity according to pre-determined proportional or pro-rata bases with the other eligible funds/clients at the time the investment opportunity arises.

#### **11. Foreign exchange policy**

It is the Company's policy to determine the valuations of all its investments in US Dollars. Consequently, the value of its investments may fluctuate with changes in the rate of exchange of the US Dollar against the Vietnamese Dong or any other currency in which an investment is made. The Company may enter into currency arrangements to hedge currency risks if such arrangements are desirable and practicable in the future, but there is no guarantee that such arrangements will be available on favourable terms or at all.

#### **12. Distribution policy and discount control**

The principal investment objective of the Company is to provide Shareholders with capital appreciation by investing in a portfolio of entities owning infrastructure and infrastructure related assets in Vietnam and surrounding Asian countries. The Company intends to reinvest realised returns from investments into new investments that adhere to the strategy, policies and restrictions described in this document. The Directors reserve the right, but do not intend and are not required, to provide returns to Shareholders by making dividend distributions. As the Company is a closed-ended investment vehicle whose shares will be admitted to trading on AIM, there is always a risk that the applicable quoted price of the Ordinary Shares may fall to a discount to its prevailing Net Asset Value per Share. In the event that the Ordinary Shares trade at a substantial discount to the then prevailing Net Asset Value per Share for an extended period of time, the Board will consider the most appropriate method of reducing the discount, which may include implementing a Buyback Programme. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of Shareholders.

#### **13. Suitability**

As an investment company incorporated in the Cayman Islands, the Company may only be marketed to, and is only suitable as an investment for, sophisticated investors with an understanding of the risks inherent in infrastructure investment in emerging markets jurisdiction and an ability to potentially accept the total loss of all capital invested in the Company.

#### **14. Borrowings**

There is no limit in the Company's Articles to the amount of borrowings that the Company may incur. As is typical with infrastructure development and investment, Investee Companies may use leverage for individual Projects. The level of the debt incurred will vary depending on the laws and regulations pertaining to the debt market with regard to the particular type of Project and the ability of the relevant Investee Company to service the debt. In addition, the Investment Manager has authority under the terms of the Investment Management Agreement to arrange recourse borrowings on behalf of the Company up to an aggregate maximum of 30 per cent. of the Net Asset Value from time to time, calculated at the time such borrowings are entered into the incurring of any recourse borrowings on behalf of the Company above this level will require the approval of the Board.

#### **15. Life of the Company**

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends to convene an extraordinary general meeting of the Company in 2017 where a special resolution will be proposed that the Company continue as presently constituted. If the resolution is passed, the Board intends that a similar resolution will be proposed at an extraordinary general meeting to be convened each fifth subsequent year thereafter. If the resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

## **16. Shareholder notification and disclosure requirements**

Under the terms of the Articles, Shareholders in the Company are obliged to comply (where necessary) with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (the “DTR”) of the FSA Handbook as if the Company were a UK domestic company. The DTR can be accessed and downloaded from the FSA’s website at <http://fsahandbook.info/fsa/html/handbook/DTR/5>. Further details of these notification and disclosure requirements are summarised in paragraph 4 of Part 8 of this document. **Shareholders are urged to consider their notification and disclosure obligations carefully because a failure to make a required disclosure to the Company may result in disenfranchisement.**

## **17. The Placing**

On 29 June 2007, the Company, the Investment Manager, the Directors and Grant Thornton UK LLP and LCF Edmond entered into the Placing Agreement pursuant to which the Investment Manager agreed, to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price which are allocated pursuant to the Placing. For its services in connection with the Placing, the Investment Manager is entitled to commission equal to three per cent. of the gross proceeds of the Placing. All such subscriptions will be at the Placing Price. Under the Placing, the Placing Shares have been offered to institutional and certain other investors in the UK and certain other jurisdictions. No Placing Shares have been sold or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing. The Ordinary Shares have not been and will not be registered under the US Securities Act 1933, as amended (the “Securities Act”) and may not be offered or sold within, or to persons in, the United States, except pursuant to an exemption from the registration requirement of the Securities Act and applicable State securities laws. The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including Admission occurring on or before 5 July 2007 (or such later date as the Investment Manager, Grant Thornton, LCF Rothschild and the Company may agree (not being later than 30 July 2007)). Certain conditions are not capable of waiver. The Placing Agreement contains provisions entitling the Investment Manager, Grant Thornton and/or LCF Rothschild to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Further details of the terms of the Placing Agreement are set out in paragraph 7.3 of Part 8 of this document.

The Placing is not being underwritten by the Investment Manager or LCF Rothschild.

The net proceeds of the Placing will be used to fund investments for the Company in accordance with the investment objective, strategy and policies outlined in this document, and to pay the Company’s ongoing ancillary costs.

## PART 2

### DIRECTORS, MANAGEMENT AND ADMINISTRATION

#### 1. The Directors of the Company

The Board comprises three independent non-executive Directors and two non-independent Directors who are also senior investment personnel of the Investment Manager. The Directors have overall responsibility for the Company's activities including the review of its investment activities and performance. They have primary responsibility for determining the Company's overall investment objective, strategy and policies and for implementing the Company's investment policies. The Board is also responsible for supervising and reviewing the activities of the Investment Manager. The Board will meet at least four times a year to review the Company's investment strategy and policies and as required to approve investments in accordance with the approval process set out in Part 1 of this document. The non-executive Directors of the Company are:

***Don Di Lam, aged 39 (Chairman)***

Mr. Lam is co-founder and managing partner of VinaCapital Group Limited. He has overseen the company's growth from manager of a single, \$10 million fund in 2003, into a full-featured investment house managing three funds worth \$800 million and offering a complete range of corporate finance and real estate advisory services. In the last year, Mr. Lam has established new funds: VinaLand Limited, which invests in Vietnamese real estate assets, and DFJ VinaCapital, a venture capital technology fund managed in co-operation with Draper Fisher Jurvetson. Mr. Lam recently concluded a sixth round of fundraising for VinaCapital's first fund, the Vietnam Opportunity Fund Limited, attracting over \$300 million in subscriptions. Before founding VinaCapital, Mr. Lam was Partner at PricewaterhouseCoopers Vietnam, where he led the Corporate Finance and Management Consulting practices throughout the Indochina region. Among the transactions he directed while at PwC were equitisations by numerous state-owned enterprises, market entrance acquisitions by foreign companies, and the initiation of debt and equity placements for Vietnamese companies. Mr. Lam has also held management positions at Deutsche Bank and Coopers & Lybrand in Vietnam and Canada. With over 12 years of experience in Vietnam, Mr. Lam is an authority on investments, mergers & acquisitions, corporate restructuring, and privatizations. He is a frequent speaker at international investment seminars and was featured as "Mr. Wall Street" in Fortune Magazine. Mr. Lam holds a BA in Commerce and Political Science from the University of Toronto, Canada, and is a member of the Institute of Chartered Accountants of Canada.

***Horst Joachim Franz Geicke, aged 51***

Mr. Geicke is the co-founder and chairman of VinaCapital Group Limited, the immediate parent company of the Investment Manager, and has resided in Asia for 25 years. He has privately completed over \$330 million in residential and commercial property developments in the last seven years in Hong Kong, Shanghai, Saigon, Bangkok, Manila, Hawaii, Colorado, New York and Washington DC. He has over 22 years of operating and investing experience in the region, having made several financial and strategic investments in Vietnam, including the establishment of a manufacturing plant for his family business which is headquartered in Hong Kong, and establishing the Vietnam Opportunity Fund in 2003. The Geicke group of companies owns and operates several factories and employs over 5,000 workers with offices in major cities in China. Mr. Geicke was the President of the German Chamber of Commerce of Hong Kong for four years and in 2005, became the President of the European Chamber of Commerce in Hong Kong. He is a founding and active Director of the Hong Kong - Thailand Business Council. He has been a member of the Trade and Industry Advisory Panel of the government of the Hong Kong Special Administrative Region since 2004. Mr. Geicke is a director of Vietnam Opportunity Fund Limited, VinaLand Limited, ARC Capital Holdings Limited and Pacific Alliance Asia Opportunity Fund Limited, four AIM traded investment companies. He is also a director of the Ho Chi Minh City International School, Sofitel Metropole Hotel Hanoi as well as several other listed and private companies in Asia and the USA. Mr. Geicke has a masters degree in Economics and Business Law from the University of Hamburg, Germany.

***Paul Ming Fun Cheng, aged 70***

Mr. Cheng is currently an independent non-executive Director of Esprit Holdings Limited and Kingboard Chemical Holdings Limited, both of which are listed on the Hong Kong Stock Exchange. He is also a member of the International Advisory Board of Abdul Latif Jameel (one of the largest private companies in Saudi Arabia), adviser to Steelcase Corporation of the United States, a member



of the Executive Committee of the PRC-based All China Federation of Industry and Commerce and adviser to the China National Committee for Pacific Economic Co-operation and China Center for Economic Research of the Peking University. From 2005 until March 2007, Mr. Cheng was the Chairman of The Link Management Limited, a Hong Kong based real estate investment trust (or REIT) that manages a portfolio of previously Hong Kong government-owned retail and car park assets valued at over HK\$30 billion. In addition, he is a former member of the Hong Kong Legislative Council, former Chairman of Inchcape Pacific Limited (from 1992 until 1997) and Chairman of N.M. Rothschild & Sons (Hong Kong) Ltd. (from 1995 until 1999). Mr. Cheng has served as Chairman of both the American Chamber of Commerce in Hong Kong and the Hong Kong General Chamber of Commerce. Mr. Cheng has an MBA from the Wharton Graduate School of Business at the University of Pennsylvania.

***Ekkehard Goetting, aged 55***

Mr. Goetting is currently the chairman and chief executive officer of German Industry and Commerce Ltd. in Hong Kong, South China and Vietnam and the Vice President of the German Chamber of Commerce in Hong Kong. With over 17 years of business experience in Asia, Mr. Goetting led annual German and international business missions to Vietnam and Cambodia from 1990 to 1994 and established a representative office of German Industry and Commerce in Hanoi in 1994. He has provided various business consultations and advisory positions for German small and medium sized enterprises and multinationals such as Siemens AG, in their entry to Vietnam. He is also currently a member of the advisory board of the European Studies Program at Hong Kong Baptist University, and Asia-Pacific coordinator for a number of organisations such as the Asia-Pacific Committee of German Industry, the East Asia Business Association, the Association of German Banks and the Association of German overseas, wholesale and retail trade. Mr. Goetting completed his Studies of Law and Computer Sciences at the University of Hamburg in Germany.

***Ly Luong Van, aged 55***

Mr. Luong is currently the chief executive officer of DNL Partners, an investment consultancy based in Vietnam. Previously, he was the deputy director of Department of Planning & Investment, Ho Chi Minh City and prior to that, he spent seven years as the deputy director of Foreign Affairs Office, Ho Chi Minh City. During this time, Mr Ly negotiated a number of infrastructure transactions including two water supply contracts with Lyonnaise des Eaux and Thames Water respectively and a road project with GS Engineering and Construction. Mr. Luong was also previously employed as the Chief Press Officer at the HCMC Foreign Affairs Office and from 1978 until 1992, was the Consular Officer at the HCMC Foreign Affairs Office. Mr. Luong began his career as a legal expert at the Department of International Law, Ministry of Foreign Affairs in Hanoi. Mr. Luong holds a degree from the Graduate Institute of International Studies, Geneva, Switzerland.

## **2. The Investment Manager**

The Company and VinaCapital have entered into the Investment Management Agreement under which the Investment Manager has been given responsibility for the day-to-day management of the Company's portfolio of assets, including (subject to the approvals process outlined in Part 1 of this document) the day-to-day acquisition and disposal of investments in accordance with the Company's investment objectives policies and restrictions.

The Investment Manager is also, amongst other things, responsible for the following:

- strategic planning and working with investment, asset management, financial and compliance personnel in meeting the Company's strategic, investment and operational objectives;
- identifying, sourcing and evaluating investment opportunities;
- presenting investment opportunities and appropriate information to the Investment Committee;
- executing investments on behalf of the Company;
- arranging debt facilities where required;
- participating on the board of directors of Investee Companies to represent the interests of the Company;
- monitoring and supporting Investee Companies;
- formulating and implementing investment and exit strategies for Investee Companies and other assets;

- collecting benefits due to the Company and ensuring that such assets are entrusted to the safekeeping of the Custodian;
- recommending to the Board, the level and method of distributions from the Company to the Shareholders, if any;
- supervising the preparation of financial statements for the Company in compliance with IFRS;
- advising the Board generally in relation to investment trends, market movements, peer group performance and other matters relevant to the investment focus of the Company which the Investment Manager considers material; and
- maintaining investor relations and other investor communications.

Under the Investment Management Agreement, the Investment Manager will receive an aggregate annual management fee equal to one twelfth of two per cent. of the monthly Gross Asset Value which fee shall be payable in US Dollars monthly in arrears on the last Business Day of each month based upon the last preceding published quarterly Net Asset Value.

The Investment Manager is also entitled to a performance fee amounting to 20 per cent. of the annual increase in Net Asset Value over the higher of an annualized compounding hurdle rate of eight per cent. or a “high water mark” requirement and subject to an Investment Manager’s “catch-up”. The Investment Management Agreement will be for an initial two year period commencing on Admission and is terminable on six months’ prior written notice given at any time expiring on or after the second anniversary of Admission. Further details of the Investment Management Agreement are set out in paragraph 7.4 of Part 8 of this document.

To successfully perform these duties, as well as to complement the skills of the Board, the Investment Manager has assembled a dedicated management team with a combination of local and international experience in infrastructure investment, finance, entrepreneurship and mergers and acquisitions.

The key personnel at the Investment Manager who will be responsible for managing the Company’s infrastructure portfolio are Don Lam (whose biography is set out above) and William Lean (whose biography is set out below).

***“William” Lean Chee Yeow, Managing Director***

Mr. Lean was formerly the group managing director of HLG Capital Bhd, the investment banking arm of Hong Leong Group, one of the largest conglomerates headquartered in South East Asia. HLG Capital Bhd’s core businesses are stock broking, fund management and corporate finance. Prior to joining HLG Capital Bhd, Mr. Lean advised and managed Asia Equity Infrastructure Fund (“AEIF”), an investment fund capitalized at \$355 million, dedicated to investing in infrastructure assets in Asia. He was involved from inception to divestment. Before joining AEIF, Mr. Lean previously worked in equity research at HSBC James Capel in Kuala Lumpur and in corporate finance at Standard Chartered Merchant Bank in Singapore. He graduated with a B.Sc. (Honours) in Economics and Accountancy from City University, London.

Additional personnel will initially be drawn from VinaCapital with dedicated staff to be appointed post-Admission.

**3. The Investment Committee**

The Investment Committee has been established by the Board and is responsible for considering and approving infrastructure projects that the Investment Manager believes are suitable for investment by the Company. The Investment Committee is comprised of individuals with financial, business and infrastructure backgrounds. The current appointees to the Investment Committee are Messrs. Don Lam, Horst Geicke and William Lean, whose biographies are set out above and Mr. Christopher Gradel, whose biography is set out below.

***Christopher Marcus Gradel***

Mr. Gradel is the co-founder of VinaCapital Group Limited. He has over 10 years experience investing in China and South-East Asia, initially with The Marmon Group in China, where he established two green field manufacturing businesses and structured the buy-out of a state-owned coal mining equipment company. Following his time at the Marmon Group, Mr. Gradel became an engagement manager at McKinsey and Company in Hong Kong focusing on strategy and mergers and acquisitions for industrials, investment companies and conglomerates and was involved in transactions in China, Hong Kong, Singapore, Indonesia, Taiwan, US and Germany. Mr. Gradel co-founded Pacific Alliance Investment Management Limited, the investment manager for Pacific Alliance Asia Opportunity Fund Limited (“PAX”) and Pacific Alliance Private

Equity Limited, the investment manager of ARC Capital Holdings Limited (“ARCH”). Both PAX and ARCH are two AIM traded funds that invest in China. He is also a director and investment committee member of PAX and ARCH, and an investment committee member of Vietnam Opportunity Fund Limited, VinaLand Limited. Mr Gradel has a joint Masters degree in Engineering, Economics and Management from Oxford University.

#### **4. The Advisory Panel**

The Investment Manager has established an Advisory Panel which will consist of such local investment specialists, business leaders and existing and former government officials as it deems appropriate from time to time to supplement the expertise of the management team. There are currently two appointees to the Advisory Panel, namely Mr. Paul Ow and Mr. Markus Winkler whose biographies are set out below.

##### ***Paul Ow***

Mr. Ow retired as Executive Chairman of Macquarie Bank in Asia in 2006 at which time it had in excess of 1,000 personnel in Asia in 10 offices and was the fastest growing of Macquarie’s investment banking businesses. From 1995 to 2003 he was executive director of its investment banking group and was responsible for setting up Macquarie’s project finance business in Asia. In 2003, Macquarie bought the equity business of ING Barings, incorporating its 600 staff and offices in Thailand, India, Indonesia, Philippines and India and Mr. Ow relocated to Singapore where he was appointed Executive Chairman of South Asia with the primary focus of establishing the Infrastructure and Corporate Finance capabilities in the new offices that came with the acquisition of ING Barings. Before joining Macquarie, Mr. Ow worked in Corporate Finance with a major listed company in Hong Kong. Mr. Ow holds a degree in economics from the University of Western Australia.

##### ***Markus Winkler***

Mr. Winkler was educated at the University of Zurich and the Business School of St. Gall, where he graduated. After training with Bank Leu AG and UBS AG, he founded VGZ Vermoögensverwaltungs-Gesellschaft Zurich, a wealth management company of which he is still President of the Board. He is a founder-member and a former Vice-President of the Swiss Association of Asset Managers as well as a founder and Board member of the Swiss Investors’ Association. Mr. Winkler is widely experienced in the investment world and, in addition to his professional commitments, is a regular lecturer and writer on investment matters. Mr. Winkler is a member of a number of advisory and supervisory boards of emerging market funds.

#### **5. The Custodian, Administrator and Registrar**

##### ***Custodian***

The Company has appointed HSBC Institutional Trust Services (Asia) Limited to act as custodian of the Company’s assets pursuant to the Custody Agreement.

Under the Custody Agreement, the Custodian is responsible for the safekeeping of the assets of the Company held directly by or to the order of the Custodian. The Custodian will not handle futures, commodities or options trades on behalf of the Company or hold assets on behalf of the Company related to such positions or transactions. Under the terms of the Custody Agreement, the Custodian is indemnified in certain circumstances and may delegate its functions to sub-custodians or nominees. The Custodian shall not incur any liability in respect of the misuse, misappropriation, loss or diminution of underlying assets of the Fund which are not directly held by the Custodian including assets held by any special purpose vehicle owned by the Company. The Custody Agreement may be terminated by either party on 90 days prior written notice.

##### ***Administrator, Registrar and Company Secretary***

The Company has appointed HSBC Institutional Trust Services (Asia) Limited to act as the administrator of the Company pursuant to an administration agreement between the Company and the Administrator (the “Administration Agreement”). The Administrator is responsible for the general administration of the Company which includes arranging for the issue and repurchase of shares, calculation of Net Asset Value and fees, and the administration of uninvested cash pursuant to the Administration Agreement. The Company’s principal register of members will be maintained by an affiliate of the Administrator in the Cayman Islands.

In calculating the Net Asset Value, the Administrator may rely upon, and will not be responsible for the accuracy of, financial data furnished to it by third parties including automatic processing services,

brokers, market makers or intermediaries, the Investment Manager, and any administrator or valuations agent of other vehicles into which the Company invests. If and to the extent that the Investment Manager is responsible for or otherwise involved in the pricing of any of the Company's assets, the Administrator may accept, use and rely on such prices, without verification, in determining the Net Asset Value and shall not be liable to the Company, any Shareholder or any other person in doing so.

HSBC Institutional Trust Services (Asia) Limited, in its capacity as Administrator, Registrar and Custodian, is not responsible for any failure by the Company or the Investment Manager to adhere to the investment objective, policies or investment restrictions set out in this document. HSBC Institutional Trust Services (Asia) Limited will not participate in transactions or activities or make any payments denominated in US dollars, which, if carried out by a US person, would be subject to OFAC sanctions.

Neither HSBC Institutional Trust Services (Asia) Limited, in its capacity as Administrator, Registrar and Custodian, nor its employees or agents are directly involved in the business affairs, organization, sponsorship or management of the Company, nor responsible for the preparation or issue of this document other than the description above.

Further details of the Company's agreements with the Administrator and Custodian are set out in paragraphs 7.5 and 7.6 of Part 8 of this document.

## PART 3

### RISK FACTORS

Investment in the Ordinary Shares involves a high degree of risk and prospective purchasers of Ordinary Shares should carefully evaluate the factors set out below. The Company's investment activities will entail certain special risks not typically associated with investments in Western Europe and the United States including political, social, legal and economic uncertainty, high inflation, price volatility, limited liquidity, less transparent and rigorous regulatory, disclosure and financial reporting requirements, restrictions on foreign investment and repatriation of capital and income, fluctuations of currency exchange rates, currency devaluations and the possibility that the exchange of a foreign currency may be blocked. In addition, there are certain risks when making investments in Vietnamese infrastructure projects such as onerous licensing and approval processes for foreign-invested projects, limitations on the equity stake that can be held by foreign investors in domestic projects and enterprises, uninsured losses, discovery of previously undetected environmentally hazardous conditions, illiquidity of underlying investments and competition from other investors. An investment in the Company should be considered speculative and long term in nature and is suitable only for sophisticated investors who understand the risks involved including the risk of a total loss of capital.

The following factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Ordinary Shares. Accordingly and as noted above, additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business.

#### **Risks relating to the Company's business and structure**

##### ***The Company is a new company with no operating history***

The Company is recently incorporated and has no operating history upon which to evaluate its likely performance. The past performance of assets, investment funds or other investment companies managed by the Investment Manager or the Directors is not necessarily a guide to the future performance of the Company.

##### ***Dependence on Investment Manager and Board of the Company***

The Company's ability to provide returns to Shareholders and achieve its investment objective is substantially dependent on the performance of the Investment Manager in the identification, acquisition and disposal of projects, the management of such projects and the determination of financing arrangements. The Board will have broad discretion to monitor the performance of the Investment Manager but the Investment Manager's performance cannot be guaranteed. Failure by the Investment Manager to manage investments effectively could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, the Company has neither employees nor separate facilities and, as such, is reliant on the Investment Manager, which has significant discretion as to the implementation of the Company's operating policies and strategies. If the Investment Manager or the Company terminated the Investment Management Agreement, there is a risk that no suitable replacement could be found or would exist.

##### ***Life of the Company***

The Company does not have a fixed life but the Board considers it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. Accordingly, the Board intends to convene an extraordinary general meeting of the Company in 2017 where a special resolution will be proposed that the Company continue as presently constituted. Unless Shareholders vote against this resolution, Shareholders will only be able to realise their investment by selling their Ordinary Shares or accepting any Buyback Programme proposals that may or may not be made by the Company from time to time.

##### ***Conflicts of interest***

The shareholders of the Investment Manager as well as certain of the Directors, have other interests and operations in Asia, including Vietnam. The Company may, from time to time, enter into transactions with its affiliates, but only after approval of the Board and subject to compliance with the AIM Rules.

The Company may invest in infrastructure and infrastructure related assets at the same time as other entities that are affiliated with or managed by the Investment Manager or its affiliates (an “affiliated entity”) are investing in infrastructure and infrastructure related assets. There is a risk that the Investment Manager will choose an infrastructure project or infrastructure related asset for the Company that provides a lower return than a project chosen for an affiliated entity.

The Investment Manager currently manages VOF, VinaLand and DFJ VinaCapital and may from time to time act for other clients that have investment policies that overlap with the investment policy of the Company. There may be circumstances where investment opportunities sourced by the Investment Manager are suitable for one or more of VNI, VOF, VinaLand, DFJ VinaCapital, or another VinaCapital client. When such conflicts arise, the Company will have a pre-emptive right to invest in any infrastructure or infrastructure-related opportunity according to pre-determined proportional or pro-rata bases with the other eligible funds/clients at the time the investment opportunity arises.

### ***Independence of the Board of Directors***

Certain members of the Board cannot be considered wholly independent due to the following relationships:

- Mr. Horst Geicke has a 41 per cent. indirect shareholding in the Investment Manager.
- Mr. Don Di Lam has a 30.5 per cent. indirect shareholding in the Investment Manager.

In addition, certain Directors have interests in other entities that invest in Asia. Specifically:

- Mr. Geicke is chairman and director of VinaLand, and a director of Vietnam Opportunity Fund, two AIM traded investment companies that invest in Vietnam, and a member of VDF’s and VNL’s investment committee. He is a director of DFJ VinaCapital Limited, the general partner for DFJ VinaCapital L.P. He is also chairman, co-founder and director of VinaCapital Group Ltd, a Vietnam investment banking and fund management company and the immediate parent company of the Investment Manager.
- Mr. Geicke is chairman and director of Pacific Alliance Asia Opportunity Fund Limited (“PAX”), an AIM traded investment company that invests in China, Greater China and other countries in Asia, and a member of PAX’s investment committee. He is also chairman, co-founder and director of Pacific Alliance Investment Management Limited, the investment manager of PAX.
- Mr. Geicke is chairman and director of ARC Capital Holdings Limited (“ARC”), an AIM traded investment company that invests in China, Greater China and other countries in Asia, and a member of ARC’s investment committee. He is also chairman, co-founder and director of Pacific Alliance Private Equity Limited, the investment manager of ARC.
- Mr. Lam is a member of VOF’s investment committee and a co-founder and director of VinaCapital Group Ltd. He is also a director of VNL and a member of VNL’s investment committee. Mr. Lam is a director of DFJ VinaCapital Limited and the general partner for DFJ VinaCapital L.P.

Two of the Directors cannot therefore, be considered to be wholly independent either of the Investment Manager or of VOF or VNL.

### ***Investments with third parties in joint ventures and other entities***

The Company may co-invest in infrastructure or infrastructure related areas with third parties through special purpose vehicles and may acquire non-controlling interests. Although the Company may not have control over these investments, and therefore may have a limited ability to protect its position therein, the Investment Manager expects that appropriate rights will be negotiated to protect the Company’s interests. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third party partner or co-venturer may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals inconsistent with those of the Company, or may be in a position to take action contrary to the Company’s investment objectives or where other investors in the project have rights of first refusal over investments or transfers of equity interests in the project. In addition, the Company may be liable for the actions of its third party partners or co-venturers in certain circumstances.

### ***The Company may invest in other investment funds over which it would not have direct control***

The Company may invest in other investment funds that in infrastructure assets or businesses. Any such fund would be separately advised or managed (either by the Investment Manager or a third

party) and, other than shareholder rights to attend and vote at meetings, the Company would have no direct control over such investment funds. No investment in any other investment fund will exceed 10 per cent. of the Company's Net Asset Value at the time of the investment.

### ***Competition***

Infrastructure development companies, private equity funds, financial institutions and other investors have become active in seeking infrastructure investments throughout the world, including in emerging markets such as Vietnam. The Company's competitors have greater financial resources than the Company and are better able to borrow funds to acquire or invest in infrastructure or infrastructure related assets. In addition, certain SOE's may potentially collaborate with national banks to establish infrastructure investment vehicles to invest in the same sector as the Company. Competition in the infrastructure market may lead to increased prices. In addition, competition for a limited number of attractive investment and development opportunities may lead to a delay in investment. Accordingly, competition may have a material adverse impact on the Company's ability to acquire suitable infrastructure projects and ultimately reduce the Company's potential profits. The Directors and the Investment Manager believe the current market for infrastructure projects to be extremely competitive.

### ***The use of leverage may increase the Company's investment risk and other risks***

The Company has no leverage calculated at the date of this document, but under the terms of the Investment Management Agreement, the Investment Manager is entitled to arrange recourse borrowings on behalf of the Company up to an aggregate level of 30 per cent. of the Net Asset Value, calculated as at the time of borrowing without further Board approval to partly finance investments or to satisfy working capital requirements. The use of leverage creates special risks and will increase the Company's exposure to capital risk and interest costs. Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated with such investments may cause the Net Asset Value and the Net Asset Value per Share to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the Net Asset Value per Share may decrease more rapidly than would otherwise be the case.

Lenders will require security to be taken over the Company's assets, including its interest in Investee Companies. Failure by the Company to meet its payment obligations under credit agreements could result in enforcement by lenders of their security interest over the Company's assets, which could have a material adverse effect on the Company's Net Asset Value and returns to Shareholders.

Moreover, the Company is likely to have indirect exposure to leverage through the use of leverage by Investee Companies.

### ***Operating expenses***

The Company's annual operating expenses may be higher than those of other investment companies, primarily because of the additional time and expense required to pursue the Company's investment objective. Investing in Vietnam entails additional time and expense because available public information concerning such investments is limited in comparison to, and not as comprehensive as, that available for investments in more developed economies and because of the rapid evolution, and the uncertainty of implications and implementation, of applicable regulations governing foreign investment and infrastructure development in Vietnam.

### ***Availability of profits for distribution***

There is no guarantee that distributable profits of the Company will be sufficient to allow the payment of dividends or any share buyback under a Buyback Programme. The expenses and other outgoings of the Company are likely, at least in the short term, to exceed its income resulting in a reduction of the assets of the Company to the extent of that excess.

### ***A change to Cayman Islands laws could affect the Company's ability to make distributions or the Company's tax exempt status***

Representations in this document concerning the taxation of investors in Ordinary Shares are based upon current tax law and practice which is subject to change. Any change to the basis on which profits could be distributed by Cayman Islands companies could have a negative impact on the Company's ability to pay dividends. Any change in the Company's tax status or in taxation legislation could have a negative effect on the value of the investments held by and the performance of the Company.

## **Risks relating to infrastructure investments**

### ***The Company's investments are likely to be in companies or entities that are highly leveraged***

The Company expects to make equity investments (and investments in junior and subordinated debt or hybrid instruments) in infrastructure companies, businesses and assets which may have a significant degree of leverage. The incurrence of a significant amount of indebtedness by such companies or businesses may, among other things:

- give rise to an obligation to make mandatory prepayments of senior debt using excess cash, which may limit the company's ability to respond to changing industry conditions, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities that may be necessary for attractive returns or future growth; and
- limit the company's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditure, working capital or general corporate purposes, including construction or development costs, which would also place it at a competitive disadvantage to competitors with relatively less debt.

A leveraged company's income and net assets also tends to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company would generally be greater than for companies with comparatively less debt.

### ***Infrastructure companies tend to rely quite heavily on debt***

As a result of the fact that infrastructure companies and businesses tend to rely quite heavily on the use of project finance debt, their ability to achieve attractive rates of return on their activities will depend on their ability to access sources of indebtedness at rates that are lower than the underlying project returns. As long as the project's finance debt is not fixed, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness would make it more expensive to finance the project.

In addition, infrastructure companies may be required to refinance borrowings from time to time. If infrastructure companies' debt becomes more expensive relative to the income they receive from their investments, then their profits will be adversely affected, which will have an adverse effect on the value of any investment made by the Company. Further, if such infrastructure companies are not able to obtain new financing they may suffer losses, which may be substantial, as a result of having to dispose of assets on unfavourable terms, which, may have an adverse effect on the value of any investment made by the Company.

The covenants provided by an infrastructure company in connection with its senior debt are normally extensive and detailed. If certain covenants are breached, infrastructure payments are suspended and the senior lender may be entitled to 'step in' and take responsibility for, or appoint a third party to take responsibility for, the infrastructure company's rights and obligations under any relevant project agreement.

### ***The Company's investments may be few in number or concentrated in particular areas***

The Company may be exposed to a relatively small number of individual investments and consequently the aggregate returns that the Company realises may be adversely affected if any of these investments perform poorly or the value of any of these investments is substantially written down. Except for provisions in the Company's current investment policies and procedures which limit the amount of capital that may be used for investments and its stated objective to achieve a diversified portfolio of equity investments, the Company does not generally have fixed requirements for investment diversification. The Company's investments could therefore be materially concentrated in relatively few investments, focused on a limited number of areas within the wider infrastructure sector or concentrated in a single geographic region.

### ***Clients of infrastructure companies' or other entities in which the Company may invest, may default on their obligations***

The concessions granted to infrastructure companies or other entities in which the Company may invest are from a variety of public and private sector clients. The Company may also make investments in infrastructure companies or other entities that have concessions from private sector clients. Although the Company will carry out prudent due diligence on the good standing and financial



resources of each client, there is an increased risk of default by private sector clients compared to public sector clients.

#### ***Construction risk***

Investments in new infrastructure in the construction phase are likely to retain some residual risk that the project will not be completed within budget, within the agreed timeframe and to the agreed specifications. During the construction phase, the major risks include a delay in the projected completion of the project and a resultant delay in the commencement of cash flows, an increase in the capital needed to complete construction and the insolvency of the head contractor, a major subcontractor and/or key equipment supplier. Although frequently the main risks of any delay in completion of the construction or any 'overrun' in the costs of construction will have been passed on by the relevant investee company contractually to the relevant subcontractor, there is some risk that the anticipated returns of infrastructure companies or other entities in which the Company may invest may be adversely affected in this way. Unexpected increases in costs may also result in increased debt service costs and insufficient funds to complete construction, which may result in the inability of project owners to meet the higher interest and principal repayments arising from the additional debt required.

Should any of the foregoing risks materialise in relation to any company that VNI invests in, they could have a material adverse effect on the value of that investment, which could, in turn, have a corresponding effect on the Net Asset Value of the Company, its financial position and/or its results.

#### ***Asset maintenance costs***

The operations of infrastructure projects are exposed to unplanned interruptions caused by significant catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line rupture or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flows available from these assets.

In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties or regulatory or contractual non-compliance. Moreover, any loss from such events may not be recoverable under relevant insurance policies. Business interruption insurance is not always available, or economically feasible, to protect the business from these risks.

#### ***The Company's infrastructure investments are likely to be subordinated to investments made by others***

The Company expects to make equity and/or subordinated debt investments in infrastructure companies which have incurred debt or assumed equity, or that may be permitted to incur debt or to issue equity, that ranks senior to the Company's investment. By their terms, such instruments may allow holders to receive payments of dividends, interest or principal on or before the dates on which payments are to be made to the Company. Also, in the event of insolvency, liquidation, dissolution, reorganisation or bankruptcy of an entity in which an investment is made, holders of securities ranking senior to the Company would typically be entitled to receive payment in full before distributions could be made to the Company. After repaying senior security holders, the entity may not have sufficient assets to repay amounts owed to the Company. To the extent that assets remain, holders of claims that rank equally with the Company would be entitled to share on an equal basis in distributions that are made from those assets.

#### ***The Company's infrastructure investments are likely to be illiquid***

The Company's investments will be in infrastructure businesses and assets that require a long-term commitment of capital. In addition, a substantial amount of the Company's infrastructure investments will be subject to legal and other restrictions, such as pre-emption rights and the requirement to obtain consents and approvals on resale, or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult to sell investments if needed or if the Directors determine that such a sale would be in the best interests of the Company. In addition, if the Company were to liquidate all or a portion of an investment quickly, it might realise significantly less than the value at which the investment was previously recorded, which would result in a decrease in the Company's Net Asset Value.

#### ***The Company's investments may not appreciate in value or generate investment income or capital growth***

The Company intends to build a diversified portfolio of equity investments in infrastructure businesses and assets with a view to giving investors long-term, predictable cash flows and capital growth.

However, the Company's investments may not appreciate in value and may decline in value. Therefore, there can be no assurance that the Company's investments will generate gains or income or that any gain or income generated will be sufficient to offset any loss incurred.

### ***Insurance risk***

An infrastructure company or other entity will usually be responsible for maintaining insurance cover for, among other things, buildings, contents and third party risks (for example, arising from fire, flood or terrorism). Typically, the infrastructure company or other entity takes the risk that the cost of maintaining the insurance may be greater than expected or that in some circumstances it may not be able to obtain the necessary insurance. Given the nature of the assets operated by infrastructure companies, they may be more exposed to risks in the insurance market that lead to limitations on coverage and/or increases in premium. While not a risk borne by the Company directly, the ability of an infrastructure company to obtain the required insurance coverage at a competitive price may have an adverse effect on the returns generated by the infrastructure company and accordingly the returns received by the Company.

### ***Changes in tax law and practice***

Financing structures of infrastructure companies or other entities are typically based on assumptions regarding prevailing tax law and practice. Any change in such a company or entity's tax status or in tax legislation (including in relation to tax rates) could adversely affect the investment return of such company or entity. In particular, if returns from infrastructure reach a high level, there is a risk that governments may seek to recoup returns that they deem to be excessive either on individual projects or more generally.

### ***The Company expects that it will be classified as a passive foreign investment company ("PFIC")***

The Company expects to be treated as a PFIC for US federal income tax purposes because of the composition of its assets and the nature of its income. If so treated, Investors that are US Persons, as defined in the internal Revenue Code, may be subject to adverse US federal income tax consequences on a disposition or constructive disposition of the Ordinary Shares and on the receipt of certain distributions. US Investors should consult their own advisers concerning the US federal income tax consequences that would apply if the Company is a PFIC and certain US federal income tax elections that, if available, may help to minimise adverse US federal income tax consequences (see Part 7 (Taxation) of this document). The Company does not expect to provide to US holders of Ordinary Shares the information that would be necessary in order for such persons to make QEF elections with respect of their Ordinary Shares, and as a result, US holders of Ordinary Shares will not be able to make such elections.

**To ensure compliance with Internal Revenue Service Circular 230, investors are hereby notified that (A) any discussion of federal tax issues contained or referred to in this document is not intended or written to be used, and cannot be used, by investors for the purpose of avoiding penalties that may be imposed on them under the Internal Revenue Code, (B) such discussion is written to support the promotion or marketing of the Ordinary Shares, and (C) prospective investors should seek advice based on their particular circumstances from an independent tax adviser.**

### ***The Company will not be registered under the Investment Company Act***

The Company will not be registered as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections and imposes certain restrictions on registered investment companies, none of which will be applicable to the Company or Investors in the Company.

### ***Reliance on subcontractors***

If a subcontractor fails to perform the services it has agreed to provide, the relevant infrastructure company or other entity may fail to meet any service standards it has agreed with its client and there may be a reduction in the payments that such company or entity is entitled to receive and/or claims by the client for damages. These reductions and/or claims are typically passed on to the relevant subcontractor, subject to any liability cap.

If there is a subcontractor service failure and the relevant subcontractor or its guarantors or insurers fail to meet their obligations in respect of the liabilities that have been passed to them then, to the extent it is unable to set off the liability against service fees, the relevant infrastructure company or

other entity will not be compensated for any reductions in payments and/or claims made by the client which it suffers as a result of the subcontractor's service failure.

In some instances, a single subcontractor may be responsible for providing services to various infrastructure companies or other entities in which the Company invests. In those circumstances, the default or insolvency of a single subcontractor could adversely affect a number of the Company's investments.

If there is a subcontractor service failure which is sufficiently serious to cause the relevant infrastructure company or other entity to terminate the subcontract, or the client to require the relevant company or other entity to do so, there may be a loss of revenue during the time taken to find a replacement subcontractor and the replacement subcontractor may levy a surcharge to assume the subcontract or charge more to provide the services. There will also be costs associated with the re-tender process. These may not be covered by any recovery from the defaulting subcontractor.

#### ***Contract risk***

The contractual arrangements relating to infrastructure projects may not be as effective in passing on risks to the subcontractors of an infrastructure company or other entity as intended and this may result in unexpected costs or a reduction in expected revenues for the relevant infrastructure company or other entity. In addition, as a result of the fact that contractual documentation for infrastructure projects is typically quite complex, there is a higher risk of disputes arising over the interpretation of such legal documentation.

#### ***Breaches of environmental or health and safety laws***

Aspects of certain infrastructure companies' activities, particularly those in the utilities sector, are inherently dangerous, such as the operation and maintenance of electricity lines and the transmission and distribution of natural gas. Certain infrastructure activities may also use and generate in their operations hazardous and potentially hazardous products and by-products. Accordingly, infrastructure companies are subject to laws and regulations relating to pollution and the protection of the environment. They are also subject to laws and regulations governing health and safety matters, protecting both the public and their employees. Any breach of these obligations, or even incidents relating to the environment or health and safety that do not amount to a breach, could adversely affect the results of operations of infrastructure companies and their reputations. This, in turn, could have an adverse effect on the Company's investments, its Net Asset Value, its financial condition and/or results of operations.

#### ***Force majeure events or terrorist attack***

The performance of the Company's Investee Companies or other entities may, directly or indirectly, be affected by reason of events such as war, civil war, riot or armed conflict, radioactive, chemical or biological contamination, pressure waves and acts of terrorism which are outside their control and not generally covered by insurance. The occurrence of such events may result in an asset of an investee company or other entity being unavailable for use. If the force majeure event or consequences of a terrorist attack continues or is likely to continue to affect the performance of the services by the relevant investee company or other entity for a long period of time (for example, six months or longer) it is likely that both the company or entity and the public/private sector client will have the right to terminate the contractual documentation in respect of the relevant infrastructure project.

#### **General investment risks**

##### ***Inability to find suitable investments***

There can be no guarantee that the Investment Manager will be successful in identifying and obtaining suitable investments on financially attractive terms or that, if the Investment Manager makes investments on the Company's behalf, the Company's investment objectives will be achieved.

##### ***Nature of investments***

The Company will be investing in infrastructure and infrastructure-related projects in Vietnam. Whilst in general, infrastructure assets provide everyday services that by their nature have consistent, inelastic demand, some of these investments may be affected by general economic conditions, including the GDP growth rate in Vietnam and the global economy. The Company will aim to minimise exposure to local economic conditions through conservative valuations and by selecting investments the Directors and the Investment Manager believe are valued below the current market price. However, there is no assurance that the capital appreciation sought by the Company will actually be achieved.

The Company may lose some or all of the capital invested in any particular investment, which could have a significant adverse impact on the performance of the Company as a whole. Through its Investee Companies, the Company will aim to use available sources of local or foreign currency debt as an additional source of funds to reduce the Company's potential capital at risk and increase equity returns. Moreover, while the Company may seek to guide and influence the successful development of infrastructure projects and infrastructure related assets through, for example, board memberships and shareholders' agreements under which the Company would be accorded certain protection and rights, memorandums of understanding, or other forms of contractual arrangements and undertakings, the fact that the Company may frequently hold minority equity positions may mean that its ability to protect its investments or to develop projects as desired face constraints and limitations. Vietnamese Enterprise Law currently provides limited protection of minority shareholders. Only a shareholder or group of shareholders holding for at least six consecutive months, more than 10 per cent. of ordinary shares (or any smaller percentage as stipulated in the company's charter) is entitled to nominate persons for a position on a management board or control panel, review the minutes book and resolutions of the management board, the annual and mid-year financial reports and the control panel reports, request a general shareholders' meeting to be held in certain cases and request from the control panel that it reviews a specific issue in relation to the management and operation of the company if necessary. If the Company does not have the required ownership threshold for the required time, it may not be able to guide and influence the successful development of infrastructure and infrastructure related assets.

### ***Exchange rates***

While the Company will seek to make US Dollar based investments whenever possible, the Company may make investments in, and earn income denominated in, local currencies. Exchange rate fluctuations and local currency devaluation could have a material effect on the Net Asset Value, which will be expressed in US Dollars. The Company may seek to hedge against a decline in the value of its Vietnamese Dong denominated investments resulting from currency fluctuations but only when suitable hedging instruments are available on a timely basis and on acceptable terms. There is no assurance that any of the Company's hedging transaction will be successful in protecting against currency devaluation or fluctuations.

In addition, infrastructure projects are often highly geared and therefore, so far as the debt is a fixed rate, can be more exposed to adverse interest rate movements than other asset classes. Due to the length of time over which cash flows may be generated, equity returns may also be affected by changes in the rate of inflation. The Company may seek to hedge against interest and inflation rate movements but there is no assurance that any hedging transactions engaged in by the Company will be successful in protecting against currency devaluation or interest rate fluctuations.

### **Vietnam investment risks**

#### ***Regulatory risk***

In many instances, the provision or acquisition of infrastructure assets involves an ongoing commitment to a governmental agency. The nature of these commitments exposes the owners of infrastructure assets to a higher level of regulatory control than typically imposed on other businesses. The risk that a government agency will repeal, amend, enact or promulgate a new law or regulation or that a government authority will issue a new interpretation of the law or regulations, can affect a project substantially. There is also the risk that a project does not have, or might not obtain, permits necessary operation permits. Permits or special rulings may be required on taxation, financial and regulatory related issues. Even though most permits and licences are obtained before the commencement of full project operations, many of these licences and permits must be maintained over the life of the project.

Vietnamese law currently restricts the level of foreign investment in the following infrastructure sectors:

- Telecommunication network infrastructure, transmission, provision of telecommunication and Internet services;
- Development of public postal network; provision of postal services and courier services; and
- Construction and operation of river ports, seaports, air terminals and airports.

Currently, in theory, foreign equity participation in Vietnamese enterprises is limited to 30 per cent., in certain sectors, for unlisted enterprises and 49 per cent. for listed enterprises. Furthermore, investments

can only be made in certain industries and sectors and the formal approval of the Prime Minister may be required for investments in certain sectors. Resolution No. 71/2006/QH-11 of 29 November 2006 ratifies the protocol of accession to the WTO which together with the addendum thereto and the working parties' report provides for increased investment thresholds for foreign investors as well as an increase in the range of sectors accessible to non-Vietnamese companies.

One of the most significant changes introduced by the market access arrangements committed to by Vietnam in the context of its accession to WTO is to eventually allow foreign investors to make unlimited capital contributions in more areas. Certain conditional sectors will continue to limit foreign investment, although the WTO commitments provide for a phase-out period for most sectors. While Resolution 71 has legal effect, the enactment of implementing legislation is awaited, including, without limitation, possibly a decree detailing and providing guidelines for implementation of a number of commitments to the WTO and a decision on the contribution of capital, and purchase of shares by foreign investors in Vietnamese enterprises which will give practical effect to the WTO commitments. This uncertainty may have an adverse effect on the proposed activities and performance of the Company.

Since the Vietnamese legal framework is becoming more liberal and subject to recurring change the Company will seek legal advice when considering investment in one of these sectors to determine if the level of investment authorized at the time is appropriate to protect its interests.

#### ***Volatility of publicly traded securities in Vietnam***

A portion of the Company's investments may include investments in publicly traded companies listed on one of the stock exchanges in Vietnam. Trading on the Vietnam Stock Exchanges has previously been marked by a high degree of short-term speculative trading, which is at least partially attributable to the underdeveloped institutional investor base in Vietnam and the substantial domestic retail investor base. The market prices and values of publicly traded securities of portfolio companies may be volatile and are likely to fluctuate due to a number of factors beyond the control of the Company or the Investment Manager, including actual or anticipated fluctuations in the quarterly and annual results of portfolio companies and other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, changes in industry conditions, changes in government regulation, shortfalls in operating results from levels forecast by securities analysts, the general state of the securities markets and other material events, such as significant management changes, refinancings, acquisitions and dispositions. Volatility in the market prices of publicly traded securities may cause the Company's Net Asset Value and the price of the Ordinary Shares to fluctuate significantly.

#### ***Accurate valuation of investments***

The Company may investing in listed securities, securities traded on the OTC Market, unlisted securities that are not frequently traded, and private equity investments. The Administrator will make good faith determinations as to the fair value of these investments on a quarterly basis. For listed securities, the market price may not reflect the true value of holdings due to various factors such as the illiquidity of a large position. For unlisted securities, price quotations may not be readily available, may be uncertain, or may be based on estimates, and therefore determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. As a result, the value of such investments reflected in the Company's reported Net Asset Value may be materially higher than the value realised on disposal.

#### ***Changes in foreign investment laws***

Two major laws were passed by the Vietnamese National Assembly on 29 November 2006 in an effort to align the legal framework with the requirements under the US Bilateral Trade Agreement ("BTA") and the multinational World Trade Organisation Commitments: (i) the Enterprise Law, and (ii) the Investment Law. The purpose of these legislative reforms was to remove any discrimination between domestic and foreign investors, whether public or private. The Governments's intention is to implement seven decrees, including five to implement the Investment Law alone. Foreigners now benefit from a wider range of options and may chose to invest by incorporating their own company, to enter into a contractual arrangements with a domestic partner or to acquire an interest in an existing company in Vietnam.

The Investment Law makes a distinction between two types of foreign direct investors, each being subject to a separate registration procedure: (i) projects with a capital of less than VND300 billion (approximately \$19 million), for which no conditions apply and which must only register with the appropriate authorities in order to secure an investment licence; and (ii) projects with a capital equal to or higher than VND300 billion (approximately \$19 million) or which are categorised as

“conditional” projects under law, must be assessed by the authorities before they can be granted an investment licence. Domestic investors with a capital of not more than VND15 billion are however not subject to registration.

“Conditional” sectors include: defence and national security, social order and public security; banking and finance; sectors which may impact public health; culture, information, press and edition; entertainment services; real estate; exploration and exploitation of natural resources and mining; ecological environment; education and training. Foreign investors investments are also conditioned by those sectors which are covered by bilateral or multilateral (e.g. WTO) commitments.

Finally, certain sectors are prohibited to investors altogether, including: projects that would endanger national defence and security or public interest; or endanger Vietnamese historical and cultural traditions, ethics, and customs; or harm public health or natural and environmental resources; and projects for the treatment of toxic waste in Vietnam, projects for the production of all types of toxic chemical products or utilizing chemical agents which are prohibited under international treaties.

In addition, the Investment Law provides for the possibility for the State to decide on important projects and provision of guarantees for loans, supply of raw materials to projects, the sale of goods and products, payments and guarantees for performance of other types of contractual obligations to projects. It provides the same protection as the prior legislation against nationalizations or administrative requisitions. Foreign investors are also allowed to remit profits abroad. They are also entitled to the benefit of the more favourable legislation in the event of a change of law.

### ***BOT Projects in Vietnam***

The Government has encouraged the implementation of BOT, BTO and/or BT Contract projects for constructing and operating new infrastructure facilities or for renovating, expanding, modernising, operating or managing the following existing works:

- (a) general roads, bridges, tunnels and relevant utility facilities;
- (b) railways and tramways;
- (c) airports, seaports, river-ports and ferry-landings;
- (d) water plants, drainage and waste or sewage treatment systems;
- (e) power plants, power transmission lines; and
- (f) other project works as decided by the Prime Minister.

The Government shall protect the ownership and other legitimate interests of investors carrying out BOT Projects in accordance with the BOT Decree and the relevant laws.

Investors and Project Enterprises shall be entitled to recover their capital invested and to earn profits as agreed in a Project Contract.

The equity of an investor used for carrying out a BOT Project shall be raised under the schedule as agreed in the Project Contract, but satisfying the following minimum percentages:

- (a) in respect of any BOT Projects with total investment capital of less than VND 75 billion: such equity must not be lower than 30 per cent. of the total investment capital of the BOT Project.
- (b) in respect of any BOT Projects with total investment capital between VND 75 billion and VND 1,500 billion: such equity must not be lower than 20 per cent. of the total investment capital of the BOT Project.
- (c) in respect of any BOT Projects with total investment capital of VND 1,500 billion or more: such equity must not be lower than 10 per cent. of the total investment capital of the BOT Project.

Foreign investors may agree in a Project Contract governed by a foreign law provided that such agreement is not contrary to the basic principles of the laws of Vietnam.

Depending on the nature of a BOT Project, the Government shall appoint an authorised Vietnamese State body, on behalf of the Government, to provide loan guarantees, guarantees on raw material supply, product sales and other contractual obligations to the investor, the Project Enterprise and other enterprises participating in the implementation of the BOT Project as specified in the Project Contract; and to provide guarantees for the obligations of Vietnamese State monopoly enterprises in relation to the sale of raw materials and the purchase of products and services from the Project Enterprise.

If stated in the Project Contract, disputes in relation to projects with foreign investors and any disputes as between the authorised Vietnamese State body and a foreign investor(s) or a Project Enterprise can be resolved at an arbitration tribunal or a court outside of Vietnam.

While the general rule is that BOT Projects are subject to a tendering process for the selection of investors for Project Contract negotiations, it is possible for investors to directly enter into Project Contract negotiations in certain circumstances.

It should be noted that security guarantees of between 1 per cent. and 3 per cent. of a BOT Project's total investment capital are required for the ensuring that the investor carries out the Project Contract, and shall be valid from the date on which the Project Contract is signed up to the date the construction would be completed.

#### ***Controlling person liability***

Under Vietnamese corporate law, members of the management board may be held jointly liable to the company for its losses when decisions are made in violation of the company charter or the law. Similarly, the general director may be held liable to the company where his/her actions do not comply with the law, the company charter, his/her employment contract or the management board's decisions.

#### ***Asset realisation in bankruptcy proceedings may be time consuming and expensive***

Vietnamese bankruptcy law may not be easily implemented. To be declared bankrupt, an enterprise or its creditors must have sufficient grounds to prove its insolvency and bankruptcy. The provisions in relation to this are complicated and unclear. Assuming the judge believes there are sufficient grounds to proceed with a bankruptcy hearing, the two-tiered bankruptcy procedure for resolving business bankruptcy matters will apply. The first tier is the adjudication phase. If during the adjudication phase, it is found that it is not possible to restructure the business of the enterprise the bankruptcy process then moves to the assets realization phase. Bankruptcy proceedings may therefore be pending for a long time before the Company may recover any of its capital.

#### ***Recognition of foreign court judgments and arbitration awards and their enforcement***

Given the lack of legal support for recognizing foreign court judgments in Vietnam, parties often select foreign institutional arbitration as the method of dispute resolution. However, while there is a legal basis for the recognition and enforcement of foreign arbitration awards in Vietnam in respect of certain types of contracts, there have only been a small number of cases where a Vietnamese court has recognized and enforced such an award.

The law relating to the enforcement of foreign judgments in Vietnam is contained in the Civil Procedures Code. A foreign civil judgment will be recognised and enforced in Vietnam where the decision is made by a court in a country which is a party to an international treaty on the enforcement of civil judgments to which Vietnam is also a party or which it has recognised, or where Vietnamese law provides for the recognition and enforcement of the judgment. Under law, a foreign judgment that the court recognises and agrees to enforce has the same effect as a civil judgment or decision made by a Vietnamese court. If the unsuccessful party refuses to comply with the decision of the court, the decision will be enforced in accordance with the enforcement mechanism applying to civil judgments in Vietnam.

Theoretically, foreign arbitral awards have been recognisable and enforceable in Vietnam since January 1996, after Vietnam had joined the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, and passed the Ordinance on the Recognition and Enforcement of Foreign Arbitral Awards in September 1995, the provisions of which are now contained in the Civil Procedures Code. This Code provides the detailed procedures applicable for the recognition and enforcement of foreign arbitral awards in Vietnam.

Under the Civil Procedures Code, in cases where there are provisions regarding foreign arbitral awards in an international treaty (such as the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards) in which Vietnam has taken part, the foreign arbitral award under the international treaty will be recognisable and enforceable in Vietnam.

Under the Civil Procedures Code, a Vietnamese court can deny the recognition and enforcement of a foreign arbitral award in Vietnam if the award is contrary to the basic principles of the laws of Vietnam.

## **General economic and political risks**

### ***Political Risks***

Vietnam is in the process of implementing far-reaching economic and legal reforms. It is uncertain whether the impetus for reform will continue, or prove to be successful. Furthermore, it is difficult to predict or anticipate future developments, as the Vietnamese legal structure is expected to undergo substantial change in the future. These changes may adversely affect the value of the Company's investments. Although current foreign investment laws of Vietnam prohibit the nationalization of foreign investments without full compensation and they allow for repatriation of investment profits, there is no absolute assurance that nationalization or administrative confiscation of property or restrictions on foreign currency repatriation will not occur in the future, whether due to changes in economic or political agendas or whether motivated by national interest. In such an event, there is no assurance that the Company will be able to obtain effective recognition and enforcement of its legal rights by way of legal proceedings or arbitration in Vietnam or elsewhere. In addition, although existing laws provide that foreign investors may be considered for compensation in the event that a change in Vietnamese law causes damage to the interests of the investor, it is not clear how such damage would be assessed or how compensation would be determined or paid. Moreover, at this time, investments in Vietnam do not qualify for most foreign investment protection insurance programs with a few exceptions for large Government projects. The Company therefore expects that all its investments will be uninsured against nationalization, expropriation and other sovereign acts that may affect the value of its investments.

Over 25 countries have signed investment protection agreements with Vietnam. Generally, these agreements seek to limit the scope of any possible nationalisation or appropriation to expropriation for a public purpose relating to the internal needs of the contracting state and under due process of law, where the expropriation is non-discriminatory and the expropriation is subject to compensation payments.

The relevant investment protection agreement may also contain details as to resolution of disputes between nationals of one contracting state and the other contracting state, of particular relevance given government involvement in all aspects of a foreign investment project. It should be noted that Vietnam is however not yet a contracting party to the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States ("ICSID"), which would therefore not be accessible to foreign investors despite the fact that Vietnam may have agreed in advance to submit to ICSID in bilateral investment agreements or other international trade agreements.

The Investment Law expressly provides that invested capital and assets of investors will not be nationalized or confiscated by administrative measures. The law does however contemplate the possibility that "compulsory acquisitions" or "requisitions" may occur in cases of "real necessity for the purpose of national defence and security and in the national interest" where investors would be awarded damages by the State (i) intended to ensure the "lawful interests" of the investors, (ii) on a non-discriminatory basis as among the investors, and (iii) in a freely convertible currency and allowed to be remitted abroad.

### ***Legal system***

The economy of Vietnam is substantially less developed than those of other geographical regions and jurisdictions such as Western Europe and the United States. The laws and regulatory apparatus affecting the economy are also in a relatively early stage of development and not as well established as the laws and regulatory apparatus of regions such as Western Europe and the United States. Although in recent years the legal system in Vietnam has been moving towards increased sophistication and access for foreign investors, there can be no assurance that the Company will be able to obtain effective enforcement of its rights by legal proceedings in Vietnam, nor is there any assurance that these reforms will continue. In addition, the time taken to obtain approvals to undertake business activities in Vietnam may be substantial. As Vietnam's legal system develops, there are inconsistencies in laws and regulations and time delays before old laws are updated to accord with other regulations and laws. In this regard, while certain new regulations purportedly broaden the range of sectors and industries in which foreigners are permitted to invest, the applicable procedures and formalities that must be complied with have yet to be specified. As a consequence this may give rise to risks for investments made under these new regulations. Although the Company will seek to take advantage of the most recently issued and approved regulations, these do not provide the same type of legal certainty as investors would find if investing in other jurisdictions.



### ***Tax uncertainty***

The Vietnamese tax regulations are under development. There are many areas where detailed regulations do not currently exist and where there is a lack of clarity. The implementation of tax regulations can vary depending on the tax authority involved. Additionally, there are various tax implications associated with ownership of the Ordinary Shares which may vary depending on the individual circumstances of the Shareholder.

### ***Accounting and auditing standards***

Vietnam does not use auditing, reporting, accounting or valuation methods which are generally accepted in international practice. Therefore, the Company expects that there will be a greater degree of investment risk arising from the difficulty of obtaining reliable financial information than would be present in other markets. To minimize such risk, the Board will show a preference for investments in projects which undertake to adhere to internationally accepted accounting practices, auditing and reporting standards and valuation methods.

### **Risk relating to the Ordinary Shares and their trading market**

#### ***AIM***

Application will be made for the Ordinary Shares to be admitted to AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the United Kingdom Listing Authority. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

#### ***Lack of liquidity of the Company's Ordinary Shares***

Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, no assurance can be given that at any time after Admission a liquid market for the Ordinary Shares will develop. Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the Net Asset Value per Share.

#### ***Market value of Ordinary Shares***

The market value of, and the income derived from, the Ordinary Shares can fluctuate. Investors may not get back the full value of their investment. The market value of the Ordinary Shares, as well as being affected by the Net Asset Value per Share, also takes into account the relevant dividend yield and prevailing interest rates. As such, the market value of an Ordinary Share may vary considerably from the underlying Net Asset Value per Share. The Company does not have a fixed winding up date and therefore, unless Shareholders vote against the continued existence of the Company, Shareholders will only be able to realise their investment through the market. There can be no guarantee that the investment objective of the Company will be met.

#### ***Limited regulatory control***

The holders of the Ordinary Shares will not enjoy any protections or rights other than those reflected in the Articles and those rights conferred by law. Although the Directors recognise the importance of good corporate governance, neither the Listing Rules of the United Kingdom Listing Authority nor the UK Principles of Good Governance and Code of Best Practice will apply to the Company.

#### ***Shareholders are unlikely to be entitled to the takeover offer protections provided by the City Code on Takeovers and Mergers (the "City Code")***

The City Code applies, *inter alia*, to offers for all listed public companies considered by the Panel on Takeovers and Mergers to be resident in the United Kingdom, the Channel Islands or the Isle of Man. However, the Panel on Takeovers and Mergers will normally consider a company resident in the United Kingdom, the Channel Islands or the Isle of Man only if it is incorporated in one of those jurisdictions or has its place of central management in one of those jurisdictions. The Panel on Takeovers and Mergers is unlikely to regard the Company as having its place of central management in the United Kingdom, the Channel Islands or the Isle of Man, in which case the Panel on Takeovers and Mergers would decline to apply the City Code to the Company with the result that Shareholders will not receive the benefit of the takeover offer protections provided by the City Code.

***Future issues of Ordinary Shares could dilute the interest of existing Shareholders and lower the price of the Ordinary Shares***

The Company intends in the future to issue additional Ordinary Shares in subsequent offerings. The Company may issue additional Ordinary Shares without limitation and is not required under the laws of the Cayman Islands or the AIM Rules to offer any such Ordinary Shares to existing Shareholders on a pre-emptive basis. Therefore, it may not be possible for existing Shareholders to participate in such future issues of Ordinary Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline. However, it should be noted that the Company has resolved that it will not issue further Ordinary Shares at a subscription price that is less than the then prevailing Net Asset Value per Share unless it has first obtained the approval of Shareholders.

**The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company. Accordingly and as noted above, additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business and prospects.**

## PART 4

### OTHER INFORMATION

#### 1. Annual expenses

##### *Formation and initial expenses*

The formation and initial expenses of the Company are those that are necessary for the incorporation and organisation of the Company and in order to effect the Placing. Such expenses will include fees payable to the Investment Manager, or other promoters in connection with the Placing, listing and Admission fees, printing, advertising and distribution costs, legal and accounting fees and any other related expenses. These expenses will be met by the Company out of the proceeds of the Placing and will be paid on or after Admission. The Directors do not anticipate that these formation and initial expenses will exceed five per cent. of the gross proceeds of the Placing.

##### *Ongoing and Annual Expenses*

The Company will also incur ongoing and annual expenses. These expenses will include, among others, the fees payable to the Investment Manager and the Directors. The Directors as a group will initially be paid an aggregate fee of \$130,000 per annum. The Directors' fees payable to Messrs. Geicke and Lam shall be paid to the Investment Manager for so long as each is interested in the Investment Manager. Other ongoing operational expenses of the Company include, among others, interest payments, bank fees, regulatory fees, legal fees, acquisition and disposal fees (where the service is provided by someone other than the Investment Manager) insurance costs, audit fees and other applicable expenses. It is estimated that the total expenses of the Company for the period ending 30 June 2008 (excluding the initial expenses of the Company) are not expected to exceed five per cent. per annum of the Net Asset Value, annualised over this period.

#### 2. Accounting policy

The audited accounts of the Company will be prepared under International Financial Reporting Standards.

#### 3. Reports and accounts

The Company's annual report and accounts will be prepared up to 30 June each year with the first accounting period of the Company ending on 30 June 2008. The first annual report and accounts will be despatched to Shareholders by 31 October 2008. Thereafter, the report and accounts covering the year ended 30 June each year, will be despatched within six months of that date. Copies of the annual report and accounts will be sent to Shareholders within six months of the fiscal year end. The first unaudited interim report covering the period ended 31 December 2007 will be dispatched to Shareholders by 28 February 2008. Thereafter, Shareholders will receive an unaudited interim report covering the six month period ended 31 December each year, which will be dispatched within three months of that date.

#### 4. Valuation policy and reporting

The Net Asset Value per Share, expressed in US Dollars, will be determined by the Administrator and will be published quarterly. In all cases, the Net Asset Value per Share will be determined by dividing the Net Asset Value on the Valuation Date by the total number of Ordinary Shares outstanding at that date, the resulting amount to be rounded to the nearest cent (0.5 of a cent being rounded up). The Net Asset Value per Share will be calculated based on the assets' most recent valuations and in accordance with IFRS.

The Gross Asset Value shall be calculated by aggregating the value of the securities owned or unconditionally and irrevocably contracted for by the Company with the value of the other assets of the Company. The Net Asset Value shall be calculated by deducting from the Gross Asset Value the actual contingent liabilities of the Company (which shall where appropriate be deemed to accrue from day to day).

For the avoidance of doubt, in the event the Company controls an entity or has significant influence over an entity, it will continue, for the purpose of calculating the Net Asset Value, to value the investment at fair value in accordance with IFRS. The assets of the Company will be valued as follows:

- (i) the value of any cash on hand or on deposit, bills, demand notes, accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received shall be deemed

to be the full amount thereof unless the Investment Manager shall have determined that any such deposit, bill, demand note or account receivable is not worth the full amount thereof in which event the value thereof shall be deemed to be such value as the Investment Manager shall deem to be the reasonable value thereof;

- (ii) except in the case of any interest in a unit trust, mutual fund corporation, open-ended investment company or other similar open-ended investment vehicle (a “managed fund”) to which paragraph (iii) applies and subject as provided in paragraphs (iv) and (v) below, all calculations based on the value of investments quoted, listed, traded or dealt in on any stock exchange, commodities exchange, futures exchange or over-the-counter market shall be made by reference to the last traded price (or, lacking any sales, at the bid price) on the principal stock exchange for such investments as at the close of business in such place on the day as of which such calculation is to be made; and where there is no stock exchange, commodities exchange, futures exchange or over-the-counter market all calculations based on the value of investments quoted by any person, firm or institution making a market in that investment (and if there shall be more than one such market maker then such particular market maker as the Investment Manager may designate) shall be made by reference to the mean of the latest bid and asked price quoted thereon; provided always that if the Investment Manager in its discretion considers that the prices ruling on a stock exchange other than the principal stock exchange provide in all the circumstances a fairer criterion of value in relation to any such investment, they may adopt such prices;
- (iii) subject as provided in paragraph (iv) below, the value of each interest in any managed fund which is valued as at the same day as the Company shall be the net asset value per unit, share or other interest in such managed fund calculated as at that day or, if the Investment Manager so determines or if such managed fund is not valued as at the same day as the Company, the last published net asset value per unit, share or other interest in such managed fund (where available) or (if the same is not available) the last published redemption or bid price for such unit, share or other interest;
- (iv) if no net asset value, bid and offer prices or price quotations are available as provided in paragraphs (ii) or (iii) above, the value of the relevant asset shall be determined from time to time in such manner as the Investment Manager shall determine provided that any investment which is not for the time being listed, quoted or dealt in on any stock exchange, commodities exchange, futures exchange or over-the-counter market shall be valued in accordance with IFRS; and
- (v) for the purpose of ascertaining quoted, listed, traded or market dealing prices, the Directors, the administrator or their agents shall be entitled to use and rely upon mechanised and/or electronic systems of valuation dissemination with regard to valuation of investments of the Company and the prices provided by any such system shall be deemed to be the last traded prices for the purpose of paragraph (ii) above.

The term ‘last traded price’ referred to in paragraph (ii) above, refers to the last traded price reported on the exchange for the day, commonly referred to in the market as the ‘settlement’ or ‘exchange price’, and represents a price at which members of the exchange settle between them for their outstanding positions. Where a security has not traded then the last traded price will represent the ‘exchange close’ price as calculated and published by that exchange in accordance with its local rules and customs.

Investors should note that, under IFRS, investments should be valued at fair value and also that, under IFRS, bid and offer pricing is considered to be representative of fair value for listed investments. However, under the valuation basis described above, listed investments are expected to be valued at the last traded price instead of bid and offer pricing as required under IFRS which may lead to a different valuation had the valuation been performed in accordance with IFRS. The Investment Manager has considered the impact of such non-compliance and does not expect this issue to materially affect the results and net asset value of the Company. With respect to the calculation of the Net Asset Value, the Administrator will rely upon valuations provided to it by third parties. The Administrator shall not be liable for any errors in Net Asset Value calculations where such errors are the result of incorrect information provided by such third parties.

The Net Asset Value per Share will be published quarterly through a Regulatory Information Service Provider to the London Stock Exchange as soon as practicable after the end of the relevant month. It is expected that the first Net Asset Value per Share following Admission will be calculated as at

28 September 2007 and will be published approximately two months following such date. Valuations will be suspended in circumstances where the underlying data necessary to value an investment cannot readily, or without undue expenditure, be obtained. Such suspensions will be communicated to investors via a Regulatory Information Service Provider.

## **5. Corporate governance**

There is no applicable regime of corporate governance to which directors of a Cayman Islands company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Cayman Islands law. The Directors, however, recognise the importance of good corporate governance and intend to comply with the Combined Code to the extent practicable and commensurate with the size and operations of the Company. The Company has also adopted and the Directors have undertaken to comply with a share dealing code for directors' dealings in securities of the Company which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies).

In accordance with the Combined Code the Board has formally constituted an audit committee constituted of the three independent members of the Board to be chaired by Mr Paul Cheng.

## **6. Taxation**

Information concerning the tax status of the Company in Vietnam and as a Cayman Islands incorporated exempted company and the taxation of certain Shareholders is contained in Part 7 of this document. **If any potential investor is in any doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares, he or she should seek advice from his or her own independent professional adviser.**

## **7. Lock-in arrangements**

Each of the Directors (and related parties) have agreed not to dispose of any interest in their Ordinary Shares within a period of one year following Admission except in certain restricted circumstances in accordance with Rule 7 of the AIM Rules for Companies. Details of these lock-in arrangements are set out in paragraph 7.7 of Part 8 of this document.

## **8. Admission, settlement and dealings**

Application has been made to the London Stock Exchange for the Ordinary Shares to be issued pursuant to the Placing to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 5 July 2007. The Ordinary Shares will be in registered form and the Registrar will be responsible for the maintenance of the Shareholders register.

The Directors have arranged for the Ordinary Shares to be admitted to Euroclear and Clearstream with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the Euroclear or Clearstream systems if the relevant Shareholders so wish. Euroclear and Clearstream are paperless settlement procedures which allow securities to be evidenced without a certificate and transferred otherwise than by written instrument.

## **9. Further issues of Ordinary Shares**

The Directors will have authority to allot all of the authorised but unissued share capital of the Company following Admission on a non-pre-emptive basis. Such authority shall only be exercised at an allotment price not less than the prevailing Net Asset Value per Share, unless the Shareholders consent to a lower allotment price by Ordinary or Special Resolution. An independent third party valuation of the Company's Net Asset Value will be obtained prior to any further issue of Ordinary Shares. The Company will endeavour to provide existing Shareholders with some form of preference in relation to the issue of further Ordinary Shares in future fund raisings, however, there is no guarantee that this will happen.

## **10. Purchase of Ordinary Shares by the Company**

In addition to any Buyback Programme that may be instituted from time to time, the Directors will have general authority to repurchase the Ordinary Shares in issue immediately following Admission. There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the laws of the Cayman Islands and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the making and timing of any buyback will be at the absolute discretion of the Board, and not at the option of the Shareholders. General purchases of Ordinary Shares will only be made

through the market for cash at prices below the prevailing Net Asset Value per Share where the Directors believe such purchases will enhance shareholder value. Such purchases may only be made provided the price to be paid is not more than the higher of (i) five per cent. above the volume weighted average price of the Ordinary Shares for the five business days before the purchase is made, or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

## PART 5

### FINANCIAL INFORMATION

#### SECTION A: ACCOUNTANTS' REPORT ON THE UNAUDITED HISTORICAL FINANCIAL INFORMATION OF VIETNAM INFRASTRUCTURE LIMITED

Grant Thornton UK LLP  
Chartered Accountants  
UK member of  
Grant Thornton International

Grant Thornton 

The Directors  
Vietnam Infrastructure Limited  
PO Box 309 GT  
Ugland House  
South Church Street  
George Town, Grand Cayman  
Cayman Islands

29 June 2007

Dear Sirs

#### VIETNAM INFRASTRUCTURE LIMITED (“THE COMPANY”)

We report on the financial information set out Part 5 Section B. This financial information has been prepared for inclusion in the Admission Document issued by the Vietnam Infrastructure Limited (“the Company”) on 29 June 2007 relating to the admission of the entire issued share capital of the Company to the AIM market.

#### Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies consenting to its inclusion in the Admission Document.

The Directors of the Company are responsible for preparing this financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 29 June 2007, a true and fair view of the state of affairs of the Company as at the dates stated. It does not comprise a full set of financial statements.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP



## **SECTION B: UNAUDITED HISTORICAL FINANCIAL INFORMATION OF VIETNAM INFRASTRUCTURE LIMITED**

The financial information below has been prepared as of 30 April 2007 for inclusion in the Admission Document issued by Vietnam Infrastructure Limited (“the Company”) relating to the admission of the entire issued share capital of the Company to AIM a market operated by London Stock Exchange plc (“AIM”).

The Company was incorporated on 18 January 2007 in the Cayman Islands as VinaInfrastructure Limited and has not completed its first accounting reference period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies in the Cayman Islands since incorporation.

As at 30 April 2007, the Company had carried out no trading and the only transactions of the Company had been as follows.

- (i) On incorporation on 18 January 2007, 500,000,000 ordinary shares of \$0.01 each were authorised, and 1 ordinary share of US\$0.01 was issued.
- (ii) On 30 January 2007 the Company changed its name to Vietnam Infrastructure Fund Limited.
- (iii) On 19 March 2007, the Company changed its name to Vietnam Infrastructure Limited.
- (iv) No dividends have been paid or proposed.

### **POST BALANCE SHEET EVENTS**

On 8 May 2007, the authorised share capital of the Company was increased to \$10,000,000 divided into 1,000,000,000 Ordinary Shares, and further increased on 11 June 2007 to \$100,000,000 divided into 10,000,000,000 Ordinary Shares.

## PART 6

### VIETNAM INFRASTRUCTURE MARKET OVERVIEW

The Directors  
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Cayman Islands



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And

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115 Nguyen Hue, 17th Floor  
District 1, HCMC  
Vietnam

And

Grant Thornton Corporate Finance  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

29 June 2007

Dear Sirs,

The following report by Mekong Research on infrastructure developments in Vietnam dated April 10, 2007 has been prepared for inclusion in the admission document of Vietnam Infrastructure Limited (“VNI”) in connection with VNI’s admission to the AIM Market of the London Stock Exchange. The report was designed to provide an overview of Vietnam’s existing infrastructure, plans for future development, and expected financing needs. Key infrastructure segments covered include: Power, Ports, Telecommunications, Water and Transport.

Mekong Research has conducted industrial and business-to-business research in Vietnam since 1997.

For further information please contact:

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**Prepared for Vietnam Infrastructure Limited, VinaCapital Investment  
Management Ltd and Grant Thornton Corporate Finance**

**In respect of  
VIETNAM INFRASTRUCTURE LIMITED**

**REPORT ON VIETNAM'S INFRASTRUCTURE MARKET**

**1. Infrastructure Overview**

Over the past decade, infrastructure investments in Vietnam have not kept pace with GDP growth of 7-8 per cent., export growth of 20 per cent., and foreign direct investment (FDI) approvals that have increased from \$6 billion in 2005 to over \$10 billion in 2006. Existing transport, power and port infrastructure is now reaching capacity and without further investment, Vietnam's ability to sustain FDI inflows and GDP growth of 8 per cent. over the coming five years will be limited.

Inadequate planning, insufficient domestic resources, and a reluctance to open infrastructure to private sector participation has left Vietnam with an enormous infrastructure challenge. Over the next three years alone, existing government masterplans for infrastructure improvements total some \$25 billion. From now until 2010, the government and multilateral donors estimate a need for \$3.9 billion in port investments, \$5.2 billion for power generation, \$1.8 billion for water supplies/sanitation, and \$14 billion in road and rail projects. Looking forward to 2020, the total amount of planned infrastructure projects is close to \$140 billion.

Two of the most critical areas are power generation and ports. Energy demand has been growing by 13-15 per cent. per annum and is expected to grow by 16-18 per cent. per annum from 2007 to 2010. Vietnam's current power mix is over-reliant on hydropower and during dry seasons there are power shortages to the nationwide grid. In the near term, Vietnam needs to add about 8,000 MW of generating capacity to meet projected demand in 2010. From 2007 to 2015, the Ministry of Industry and Electricity of Vietnam (EVN) estimate that \$29.2 billion needs to be spent on new power generation. An additional \$11.4 billion is required to upgrade transmission and distribution networks to accommodate the new supplies and to reduce current transmission losses of 12-15 per cent.

Vietnam's port infrastructure is reaching capacity. The key problem is the lack of dedicated container terminals and deep-water ports that can handle large vessels of 50,000-80,000 dead weight tons (DWT). Demand for container shipments in the southern economic region is expected to surpass port capacity starting in 2007. The government has allocated \$3.8 billion to upgrade and develop seaports and has opened the sector to private investment via BOTs. The most significant development is a planned shift away from the existing ports in Saigon which now handle 65 per cent. of the nation's total container traffic, to a port complex of seven terminals at Cai Mep - Thi Vai near Vung Tau, southeast of Ho Chi Minh City(HCMC). Foreign investment is likely to play a role in the development of five of the key terminals at Cai Mep - Thi Vai.

Access to ports is difficult due to congestion and underdeveloped connecting roads. The Ministry of Planning and Investment (MPI) recently submitted a masterplan for transport development calling for some \$70 billion in road and rail improvements to 2020. The plan includes \$16 billion for a "North South Expressway" broken into a series of provincial road links, and \$33 billion for a high speed railway from Hanoi to Ho Chi Minh City. A number of domestic investment groups have stepped in to develop BOT road projects or purchase the toll-collection rights on certain sections of the proposed roads.

As part of the efforts to improve transport infrastructure, the government and the Civil Aviation Authority of Vietnam have planned new airports or expansion of existing facilities to keep pace with increased domestic and international tourist travel. Over the past five years, international tourist arrivals have grown by 10.5 per cent. per year. Construction of a new international terminal at Tan Son Nhat Airport in Ho Chi Minh City is nearly complete. The government is now preparing initial feasibility studies for a new, \$8 billion international airport 50 kilometers from HCMC to serve the southern economic region. The Prime Minister has indicated that the project may be opened to foreign investors via BOT or BOO investments.

While not all of the projects cited in various industry masterplans will be implemented, previous methods of financing infrastructure will not be sufficient for even a portion of these outlays. The State budget and overseas development assistance (ODA) have been the key source of funds for infrastructure development, while private participation has been limited. Over the past ten years, 11 per cent. of the funds for infrastructure development came from the State Budget, 37 per cent. from ODA, 14 per cent. from Government bonds, 1 per cent. from State-owned banks, 21 per cent. from infrastructure users, and 16 per cent. from the private sector.

Vietnam is under pressure to revise the mix. The State budget remains limited and the existing national and SOE debt loads cannot increase indefinitely. In the near future, Vietnam's GDP per capita will rise to the point where Vietnam will no longer qualify for concessional loans from ODA lenders.

The government is taking steps to allow more independent investment in strategic infrastructure projects. The implementation of new laws over the past two years (e.g. Electricity Law) and Vietnam's obligations under WTO membership and the US-Vietnam Bilateral Trade Agreement are improving the regulatory environment for private sector participation in sectors such as ports and power generation. State-owned companies that had held monopolies over infrastructure services are giving way to strong domestic competitors, both state-owned and private. The injection of new domestic players has been most visible in the telecoms sector, but consortiums of large SOE and private firms are now operating or positioning themselves to win toll road projects/concessions, water supply, and power generation projects. These are mostly greenfield developments and will probably have construction risk.

The Prime Minister is encouraging more rapid equitisation and stock market listings for state-owned companies tasked with infrastructure development, particularly Electricity of Vietnam subsidiaries and mobile phone operators under Vietnam National Post and Telecoms Corporation. Vietnam's second largest mobile phone operator, Vietnam Mobile Services - Mobifone, is expected to list on the HCMC Stock Trading Center by late 2007.

The government is decentralizing decision-making, allowing provincial and city governments to take greater responsibility for financing local infrastructure. In this context, Local Development Investment Funds (LDIFs) have been established in 13 provinces and have become an important municipal finance tool, most notably in Ho Chi Minh City.

After a decade of mostly frustration for foreign investors seeking BOT infrastructure opportunities in Vietnam, a wave of new foreign-invested projects in ports, energy, water, and telecoms have been submitted to the government for approval. The hope is that Vietnam is now ready to build upon the success of the only two foreign-invested BOT projects currently operating - the Phu My 2.2 and Phu My 3 power plants near Vung Tau.

In the port sector, the government has approved some \$600 million of joint-ventures involving foreign port operators to build deep-water container terminals near Vung Tau. In power generation, a series of foreign-invested BOT projects are under consideration, mainly for coal and gas-fired plants. Foreign firms are lining up to take strategic stakes in Mobifone and Saigon Postel, a municipal telecom operator. For many of these projects, the government will need to heed the lessons of Phu My and provide acceptable guarantees, contract terms, and price structures to move the latest round of foreign BOT projects beyond planning to implementation.

## **2. Power**

State-owned Electricity of Vietnam (EVN) manages the power sector in Vietnam and is responsible for ensuring sufficient electricity supplies nationwide. EVN accounts for some 80 per cent. of total domestic power generation with the balance supplied by independent power producers (IPPs) and imports from China. EVN manages the country's entire transmission and distribution network.

Over the past decade EVN has struggled to keep pace with Vietnam's rapid economic growth and increased electricity needs of residential and industrial consumers. With average economic growth of 7.5 per cent. over the past ten years, energy demand growth has been in the range of 13-15 per cent. per annum.

Vietnam relies on hydropower for nearly 40 per cent. of its energy needs. During the dry season, these plants may operate at only 40-50 per cent. of capacity resulting in shortages to the nationwide grid. These shortages are evident in 2007, with EVN announcing power cuts and a likely shortfall of 1 billion Kilowatt Hours (KwH) during the first half of the year due to low rainfall and temporary shutdown of two major plants for maintenance.

EVN is already purchasing about 1 per cent. of its total electricity needs from China and this will increase pending improvements to China-Vietnam transmission networks. Economists at the Ministry of Planning and Investment (MPI) have indicated that electricity shortages may prevent Vietnam from reaching its 2007 GDP and FDI targets, and have recommended that the government accelerate equitisation of power companies and increase participation of IPPs.

Despite forays into debt and equity markets (via equitisation of several hydro and coal-fired plants), EVN has insufficient capital to meet future demand. The company's financial position has weakened over the past five years due to higher input costs, government-imposed price ceilings on its electricity sales, and inefficiencies in generation and distribution.

Over the past two years the government has demonstrated greater awareness that EVN is not capable of investing in new capacity alone and has taken several steps to restructure the power sector to allow for greater contributions by IPPs.

In 2005 the government enacted an Electricity Law which improved the legal framework for private participation in the power sector. It also created the Electricity Regulatory Authority under the Ministry of Industry to oversee pricing, new investment in generation and transmission, and gradual liberalization of the generation, wholesale and retail markets over the coming 20 years.

The government is in the final stages of approving a “Sixth Power Development Masterplan” (PDMP) which allocates a substantial portion of new generation to IPPs over the coming decade.

## 2.1 *Current Supply*

Total capacity at existing power plants is nearly 11,300MW, with hydro and gas-fired plants accounting for 76 per cent. of total capacity. While IPPs now account for about 24 per cent. of capacity, this is mainly due to just two large plants at the Phu My Power complex near Vung Tau. Other IPPs are mainly small generation facilities set up by foreign investors and industrial zones to supply their own requirements with excess sold to EVN (see below). In 2006, domestic production reached 59 billion Kwh, of which EVN supplied 51 billion Kwh.

*2006 Generating Capacity (MW)*

<i>Type of Plant</i>	<i>EVN</i>	<i>Non-EVN</i>	<i>Total</i>
Hydro	4,369	360	4,729
Coal	1,245	210	1,455
Natural Gas	2,453	1,442	3,895
Fuel Oil/Diesel	445	764	1,209
Total	8,512	2,776	11,288

Source: EVN, Ministry of Industry Draft 6th Power Development Masterplan

Gas fired plants at Phu My account for about 35 per cent. of capacity, two major hydro plants at Hoa Binh and Yali 17 per cent., and the two largest coal-fired facilities 15 per cent. Small scale hydro plants and coal fired plants account for the remaining 33 per cent. of capacity. The table below outlines the largest power plants in operation in Vietnam.

*Key Plants in Operation*

<i>Plant</i>	<i>Energy Source</i>	<i>Capacity (MW)</i>	<i>Ownership</i>
Hoa Binh	Hydro	1,920	EVN
Yali	Hydro	720	EVN
Tri An	Hydro	400	EVN
Phu My 1	Gas	1,107	EVN
Phu My 2.1	Gas	896	EVN
Phu My 2.2	Gas	716	IPP (foreign)
Phu My 3	Gas	726	IPP (foreign)
Phu My 4	Gas	450	EVN
Pha Lai	Coal	1,040	EVN
Uong Bi	Coal	700	EVN

## 2.2 *Power Capacity Mix*

Prior to 2004, hydropower accounted for nearly 50 per cent. of Vietnam’s total energy supplies. The completion of the Phu My 2.2 and Phu My 3 gas-fired power plants added 1,400 MW to the national grid, reducing hydropower’s share to its current 41 per cent. Hydropower’s share of production is expected to decrease from 41 per cent. to 27 per cent. by 2020 due to a shift towards coal and gas-fired plants.

EVN plans to nearly triple the share of coal from 13 per cent. to 33 per cent. by 2020. Several large coal-fired plants are planned for the next fifteen years, including Mong Duong (2,200 MW), Nghi Son (1,800MW) and Vung Anh (2,000MW). Foreign investors have also proposed building coal-fired plants that will utilize imported coal, in some cases from the foreign project sponsor (see below).

A number of large-scale gas-fired plants are expected over the next five years, several of which are now under construction. Two power projects in the Mekong Delta will have the largest impact on future gas use. These include the 1,440 MW Ca Mau power complex being developed by Petrovietnam and the 2,800 MW O Mon power complex to be developed by EVN and private investors. Vietnam has sufficient offshore gas reserves to fuel the proposed plants, and production is expected to increase from the current 6.5 billion m<sup>3</sup> to 15 billion m<sup>3</sup> once production begins at the Malay and Cuu Long basins to supply the Ca Mau and O Mon power plants.

The planned capacity additions by energy type and resulting capacity mix to 2020 are outlined in the tables below.

*Capacity Additions to Vietnam Power System (2000-2015)*

Type of Plant	2011-2015		2006-2010		2000-2005	
	EVN	Non-EVN	EVN	Non-EVN	EVN	Non-EVN
Hydro	1,265	75	4,250	725	6,050	-
Coal	600	210	900	1,500	1,300	1,300
Natural Gas	2,385	1,465	1,150	3,510	-	1,260
Total	4,250	1,750	6,300	5,735	7,350	2,560

Source: EVN

*Projected Capacity Mix 2006-2020*

Type	2006	2010	2015	2020
Hydro	41%	36%	36%	27%
Natural Gas	34%	35%	33%	24%
Coal	13%	25%	22%	33%
Fuel Oil	10%	-	-	-
Imports	1%	3%	6%	8%
Renewable	1%	1%	3%	8%

Source: EVN

### 2.3 Demand Projections

Electricity demand is expected to increase by 16 per cent. per year from 2007-2010 before slowing to 11 per cent. per year from 2011-2015 and 9.3 per cent. per year from 2016-2020. (It is worth noting that EVN has consistently underestimated power demand growth in previous masterplans.) Continued strong GDP growth, increased foreign investment, industrial GDP growth of 14-16 per cent. and rising household incomes are all expected to fuel the double digit growth in energy demand. The government plans to increase electrification rates in rural areas from 92 per cent. to 100 per cent. by 2020.

Demand is forecast to reach 97 billion kWh by 2010 (implying installed capacity of 19,550 MW), with per capita electricity consumption doubling from 2005 levels to 1,106 kWh. Through 2025, the Ministry of Industry estimates demand will grow by at least 50 per cent. every five years.

*Electricity Demand Projections (2005-2025)*

Item	2005	2010	2015	2020	2025
Annual Demand (billion kWhs)	45.6	97.1	164.9	257.3	381.2
Annual Demand Growth (5-year period)	-	16.1%	11.1%	9.3%	8.1%
Maximum Demand (MW)	9,500	19,550	32,200	48,650	71,400
Per Capita Consumption (kWh)	549	1,106	1,774	2,629	3,703

Source: EVN, Ministry of Industry

### *Investment Needs*

In the near term, Vietnam needs to add about 8,000 MW of generating capacity to meet projected demand in 2010. From 2007 to 2015, the Ministry of Industry and EVN estimate that \$29.2 billion needs to be spent on new generation. An additional \$11.4 billion is required to upgrade transmission and distribution networks to accommodate the new supplies and to reduce current transmission losses of 12-15 per cent.

#### *Power Sector Investment Program 2007-2015 (6th Power Development Masterplan) \$USD billion*

<i>Sectors</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>Total</i>
<i>Generation</i>										
EVN	1.83	1.85	1.88	1.74	2.21	2.36	2.72	2.35	2.51	19.45
Non-EVN	2.4	2.2	1.26	0.65	0.65	0.59	0.52	0.72	0.74	9.73
<i>Transmission</i>										
220 kv-500 kv	0.41	0.48	0.57	0.5	0.41	0.4	0.42	0.47	0.57	4.23
<i>Distribution</i>										
<110 kv	0.91	0.93	0.96	0.95	0.78	0.81	0.84	0.87	0.94	7.15
<b>Total</b>	<b>5.55</b>	<b>5.46</b>	<b>4.67</b>	<b>3.84</b>	<b>4.05</b>	<b>4.16</b>	<b>3.66</b>	<b>4.41</b>	<b>4.76</b>	<b>40.56</b>

Source: EVN, 6th Power Development Masterplan

Over the next five years, much of this investment will go towards key projects that are underway or in the planning stages. Completion of these projects within a relatively short time frame will be essential to meeting projected demand in the coming decade.

#### *Key Projects Under Development or Proposed*

<i>Plant</i>	<i>Type</i>	<i>Capacity (MW)</i>	<i>Ownership</i>	<i>Status</i>
Son La	Hydro	2,400	EVN	Construction
Lai Chau	Hydro	720-1100	EVN	Planning
Se San 4	Hydro	300	EVN	Construction
Tuyen Quang	Hydro	340	EVN	Construction
Dai Ninh	Hydro	300	EVN	Construction
Nhon Trach	Gas	2,400	BOT, domestic (PV)/foreign	Construction of Phase I
O Mon HV	Gas	2,800	EVN	Construction of Phase I, Planning
Ca Mau	Gas	1,440	Petrovietnam	Construction of Phase I
Nghi Son	Coal	1,800	BOT, domestic/foreign	Planning
Vung Ang	Coal	2,000	BOT, domestic/foreign	Planning
Mong Duong	Coal	2,200	BOT, foreign	Planning

## **2.4 Financing and Equitisation**

Financing for major power projects has come from ODA loans, government budget and bonds, EVN financing and a limited amount of commercial financing from domestic and international banks.

The power development masterplan envisions EVN funding two thirds of new investment in generating facilities over the next decade (\$19.45 billion.) This appears optimistic and it is more likely that EVN will fund less than 50 per cent. of the necessary investment given EVN's weakened cash position over the past three years. From 2007-2010, EVN will need \$7.3 billion to fund ongoing or planned projects (not including investments in transmission and distribution.)

To finance these projects, EVN issued nearly \$400 million in domestic bonds in 2006 and has plans to issue another \$500 million of domestic bonds in 2007. EVN is also considering an international bond issue in 2008. The government has approved in principle the plan to raise \$300-\$500 million overseas, but EVN has not yet selected a financial adviser nor set a firm date for the issue.

The four largest state-owned banks, Vietcombank, BIDV, Agribank, and Incombank, have committed to loan EVN \$2.5 billion from 2006-2010 to finance ongoing projects. Various ODA providers, including Japan Bank for International Cooperation, World Bank, ADB and others, have committed another \$3.75 billion. However, there is often a large gap between committed ODA and amounts actually implemented over the target period.

EVN has also turned to the booming domestic capital market by partially selling off hydro and coal plants. These include the Vinh Son (66MW) and Song Hinh (70MW) hydro plants and Pha Lai (1,040MW) coal fired plant.

Following the success of these listings, EVN submitted a new plan to the government for nearly all of its “non strategic” subsidiaries to go public by the end of 2008, two years earlier than planned. This includes nearly 50 affiliate companies in generation, equipment and construction. Significantly, EVN has requested permission to begin selling shares in some of its larger assets, including its gas-fired plants at Phu My (2,240 MW) and in the planned O Mon 3 power plant (750MW). In certain “non-strategic” power plants (i.e. those under 100MW), EVN may sell the majority of the shares.

Other companies slated for partial privatization in 1st and 2nd quarter 2007 include Thac Mo hydro plant (150MW), Ninh Binh thermal plant (100MW), and Ba Ria hydro power (388MW). Through the rest of 2007 and 2008, EVN plans listings for Uong Bi thermal plant (700MW), Da Nhim - Ham Thuan - Da My hydro plants, Thu Duc thermal plant (293MW), and Can Tho thermal plant (188MW).

With EVN's equitisation process well underway, private capital will play a larger role in financing EVN projects in the coming years.

Another \$6.5 billion of investment is allocated to non-EVN projects from 2007-2010. The section below covers some of the proposed IPPs in more detail.

## 2.5 *Future Role of IPPs*

With the passage of the Electricity Law, the government has indicated stronger support for IPPs, including participation by foreign investors for up to 20 per cent. of total nationwide capacity. The government has formally approved various investment structures, including BOT or BOO investments owned by local private investors or state-owned entities other than EVN (e.g. Vinacomin, Petrovietnam), joint venture BOT or BOO investments between EVN and local or foreign partners, and foreign invested BOT projects. IPPs are also being established by EVN subsidiary companies that have been equitised or in the process of becoming joint stock companies.

### *Foreign invested IPPs*

Over the past decade, Vietnam has seen limited success in completing foreign-invested BOT power projects. Lack of an adequate legal framework, government reluctance to provide guarantees, and inability to reach power purchase and fuel supply agreements with state-owned entities have hampered foreign investment in the sector.

However, two major benchmark projects have been successfully completed and are in operation at the Phu My power complex near Vung Tau. One is the 716 MW gas-fired Phu My 2.2 power plant. Electricite de France, Sumitomo Corp, and Tokyo Electric Power Co. won the competitive bidding for the project. The World Bank was an active participant in the deal, providing technical assistance to the government on deal structuring and providing a partial \$75 million partial guarantee to project sponsors and commercial lenders.

The second is the 726 MW Phu My 3 plant completed on a negotiated basis by lead project sponsor, BP. Here too, multilateral participation was vital with the World Bank putting up \$140 million in guarantees and the ADB providing loans and a political risk guarantee of up to \$35 million to commercial lenders. BP has since sold off part of the project to Singapore's Sembcorp and a consortium of Japanese investors.



The Phu My projects serve as a foundation for future international IPPs and provided vital experience to the government on the structuring of complex, integrated BOT projects involving fuel supply and electricity sales. However, both projects benefited from special circumstances.

The ADB, World Bank, and Japan Bank of International Cooperation stepped in to provide financing and guarantees in an effort to promote public-private partnerships in the energy sector. In the second project, the lead sponsor was BP which had spearheaded development of the Nam Con Son gas field and pipeline project. BP's role in these vital upstream and midstream developments helped in negotiating the Phu My 3 deal.

Other foreign-invested IPPs have been small scale plants to supply industrial zones or to ensure sufficient supplies for company operations, with excess capacity sold to EVN. These include Formosa (150MW) and VEDAN (72MW) plants in Dong Nai, and Holcim Cement (33 MW) in Rach Gia. Plants built to supply industrial zones include Hiep Phuoc (375 MW) in HCMC, Nomura (58 MW) in Haiphong, Bourbon (24 MW) in the Mekong Delta, and Amata (12 MW) in Dong Nai.

The government is now considering numerous foreign-investment proposals for construction of independently owned power plants. It remains to be seen whether the government will utilize its experience with the Phu My projects to move the proposed projects beyond the "Memorandum of Understanding" (MOU) stage to implementation. Some of the key foreign investment projects now under consideration are cited below.

- In HCMC, Singapore's Sembcorp is developing plans to build a \$400 million, 700 MW gas-fired power plant at Hiep Phuoc heavy industrial zone in Nha Be district. Sembcorp is completing feasibility studies for the plant and has signed a land lease agreement with Tan Thuan Industrial Promotion Corp. for renting 10 hectares of land adjacent to the Saigon River. Under a MOU with HCMC authorities, the plant will be built on a BOT basis and operated for 30 years. The project appears to be one of the more feasible foreign-invested IPPs under consideration due to Sembcorp's experience with the Phu My 3 power complex and as lead investor in the Vietnam Singapore Industrial Park.
- The Nhon Trach region of Dong Nai province has become a focal point for potential IPP projects due to proximity to gas supplies and numerous heavy industrial zones in the area. South Korea's Tae Kwang Vina Industrial Co. (whose core business is producing sport shoes for Nike) submitted an investment proposal to build a coal fired power plant with capacity of 1,000 MW. Korea Electric Power Corporation is considering co-investing in the project. US-based Gannon Group is seeking to develop a 600 MW gas-fired power plant at Go Dau Industrial Zone in Dong Nai Province, while BP is also preparing feasibility studies for construction of a 475 MW gas-fired power plant in the region.
- In the Mekong Delta, Australia's third largest coal producer, Ensham Resources, is exploring building a 3,600 MW coal-fired plant in Kien Giang province. Imported coal from Ensham mines in Australia would fuel the plant. The investment structure would be under a BOT, BOO, or wholly foreign-owned project.
- In the north, major US coal producer AES Altai and Power Group signed an MOU with the Vietnam Coal and Mineral Industries Group to build a 1,200 MW thermo-power facility Mong Duong 2 valued at \$1.4 billion.
- Japanese firm J-Power has submitted investment documents to the government for construction of two 1,000 MW coal-fired plants. One plant would be located in central Phu Yen province, with a second at Nghi Son in the north. Both plants would use imported coal, with construction scheduled to begin after 2010.
- China Southern Power Co. signed an MOU with the Ministry of Industry to invest \$900 million for construction of a 1,200 MW coal-fired plant in central Binh Thuan province. The plant would be operated on a BOT basis for 25 years starting from 2010.

#### *Domestic Projects and IPPs*

For security reasons, the government has indicated that 80 per cent. of Vietnam's power output should be supplied by companies majority-owned by Vietnamese entities. Some of the largest upcoming projects and IPPs are therefore by EVN and major state-owned fuel suppliers such as Petrovietnam and Vietnam Coal and Minerals Corporation (Vinacomin). Below are some of the key projects under construction or in proposal phases.

- The O Mon thermal power complex will consist of four power gas-fired plants totaling 2,800 MW. Three of the plants will be operated by EVN with one plant operated by a domestic or foreign IPP (O Mon II, 750 MW). The first phase of O Mon I (300MW) is under construction and scheduled for commissioning in 2008. Phase two (300 MW) is scheduled for 2009, with O Mon II completed by 2011, O Mon III (750 MW) in 2009, and O Mon IV (750 MW) in 2010.
- EVN is developing the Ca Mau power complex consisting of two gas-fired 750 MW plants, Ca Mau I and Ca Mau II. Phase I is under construction and expected to come online in March 2008 with Ca Mau II commissioned in 2009.
- Petrovietnam has started construction of a 462 MW gas-fired plant at Nhon Trach in Dong Nai Province. The plant is scheduled to begin generating 2.5 billion kWh per year by the end of 2008. When complete, the Nhon Trach power complex will have four gas-fired plants with total capacity of 2,400 MW.
- A consortium of PetroVietnam, Vinacomin and Song Da Construction Corp. have submitted an investment proposal to the Prime Minister to build a 1,800 MW coal-fired plant in northern Nghe An Province. Pending approval, the project is scheduled to start construction by 2010 with completion by 2015.
- Leading private sector firms are also eyeing the market. In March 2007, Refrigeration Electrical Engineering Co. (REE), one of the leading companies listed on the HCMC Trading Centre, announced plans to join with five other local firms to invest in a \$99 million industrial park and power plant complex in northern Thanh Hoa province. The power generation company is to be called REE Hydro Power Company.

### **3. Port Sector**

Vietnam's port infrastructure is not keeping pace with GDP growth of 8 per cent., export growth of 20 per cent. per year by value, and increased levels of export-oriented FDI. The key problem, particularly in southern provinces where most manufacturing and FDI is concentrated, is the lack of dedicated container ports and deep-water ports that can handle large container vessels of 50,000-80,000 DWT.

The situation is most acute in the key southern economic region of HCMC and its surrounding provinces of Dong Nai, Binh Duong, Vung Tau, and Long An. Together, these provinces contribute 50 per cent. of Vietnam's GDP and over 60 per cent. of all active FDI projects by quantity. Ports in and around HCMC account for some 65 per cent. of total container throughputs in Vietnam.

Demand for container shipments in this region is expected to surpass port capacity starting in 2007. Vietnam's existing ports are small and inefficient, with poor landside infrastructure and underdeveloped connecting roads. Only four locations can handle international container traffic, namely HCMC, Danang, Haiphong, and Quy Nhon. The key ports in HCMC have shallow drafts and can only accommodate feeder vessels under 30,000DWT, while the main port in Haiphong can only receive ships of less than 10,000DWT. These vessels stop at Hong Kong and Singapore ports for offloading to larger ocean vessels, increasing shipping times and costs.

Major FDI exporters in footwear, garments, furniture and other industries are already facing delays of 12-24 hours at existing ports and the delays are expected to worsen over the next three years. The government is aware that port congestion is now a critical issue threatening Vietnam's export growth and numerous projects are underway for construction of deep-water port facilities in north, south and central Vietnam.

The government requires \$3.8 billion to upgrade and develop seaports to 2010, but just \$329 million has been invested so far, mostly at central region ports where capacity is not an issue. The government lacks capital to develop sufficient container ports and has opened the sector to private investment via BOTs. Foreign companies are participating via joint ventures with local firms at Hiep Phuoc Port near Ho Chi Minh City, at the Cai Mep- Thi Vai port complex near Vung Tau, and at Haiphong and Cai Lan ports in the north.

#### **3.1 Current Capacity**

Vietnam has over 120 seaports, however only nine of these are used for significant volumes of international trade and are centered in the key cities of HCMC, Haiphong, Danang and Vung Tau. Nationwide container capacity of the port network at year-end 2006 was 3 million twenty foot equivalent units (TEU) per year.

*TEU Throughputs at Key Ports*

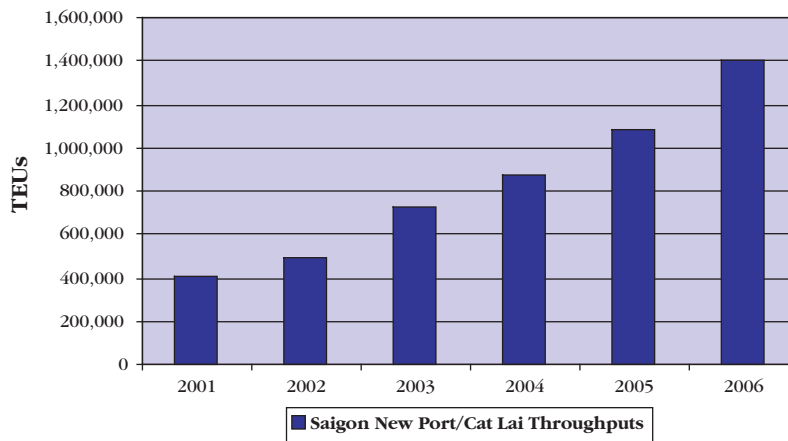
<i>Port</i>	<i>2004</i>	<i>2005</i>
Ho Chi Minh City	2,134,677	2,201,808
Haiphong/Cai Lan	515,965	698,146
Quy Nhon	38,751	41,967
Danang	32,416	32,343
Others	9,519	46,281
<b>Total</b>	<b>2,731,328</b>	<b>3,020,545</b>

Source: APL Shipping, Vietnam Seaport Association

Ho Chi Minh City's five ports and ports in Dong Nai and Vung Tau provinces handled some 65 per cent. of Vietnam's total container cargo in 2006. Of HCMC's five ports, just two are dedicated container ports. These ports handled 1.85 million TEU in 2006, roughly 60 per cent. of total container traffic and 85 per cent. of throughputs in HCMC.

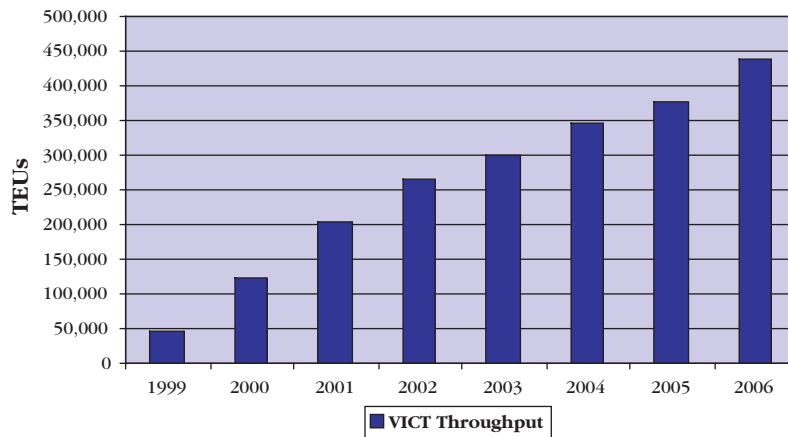
Cat Lai Port is owned by the Vietnamese Navy and container throughputs have increased by an average of 28 per cent. per year over the past five years. In 2006, the port handled some 1.4 million TEU despite being designed for a capacity of 1.3 million TEU. Immediate solutions for the capacity problems include moving mid-stream loadings away from the terminal, converting the break-bulk terminals for container loadings, and improving logistics to increase back-to-back berthings. Though Cat Lai has undergone a number of extensions and equipment upgrades, in the long term the port will not be sufficient to meet demand due to limited land and low water depths limiting vessel sizes to under 30,000DWT.

**Saigon New Port/Cat Lai Throughputs 2001-2006**



Vietnam International Container Terminal (VICT) is located near the Tan Thuan Industrial Zone in District 7. It is a joint venture between Vietnam's Southern Waterborne Transport Corporation and Mitorient - a partnership of Singapore's Neptune Orient Lines and Japan's Mitsui Co. VICT is the only foreign-invested container port in Vietnam, and is more efficient than its local counterpart at Cat Lai, averaging 25 crane moves per hour. Over the past five years, container throughputs at the port have increased by an average of 17 per cent. per year and the port is now operating at its capacity of 450,000TEUs per year.

**Vietnam Intl Container Terminal Throughput 1999-2006**



VICT recently obtained permission from the government to expand its facilities. VICT plans to lengthen its existing wharf by 190 meters to increase capacity to four berths. When the \$15 million expansion is complete in 2008, the port will have a total length of 680 meters and throughput capacity of 900,000TEUs per year.

*Central Region*

Although trade volumes are just a fraction of those in the north and south, Vietnam’s best port infrastructure is in the central region of the country. Japanese ODA is financing some \$350 million of infrastructure improvements in Danang, including port expansions and construction of landside infrastructure, including roads, bridges and tunnels. Unlike port projects in the north and south, most of the key projects have been completed on schedule, including phase I of the Danang Port upgrade. Following the upgrade, Danang port capacity increased to 5 million tons per year, though current throughput volumes are about half this. With water draft of 12 meters and a 250 meter breakwater, Danang Port is now capable of handling ships up to 40,000DWT.

Port infrastructure is being developed at Dung Quat Industrial Zone in Quang Ngai Province, site of Vietnam’s first domestic refinery. Gemadept has started construction on a 11.6 hectare port that will be capable of handling 30,000DWT ships. The main pier will be 290 meters long and 33 meters wide, with water drafts of 12 meters. The port is designed to have a total annual throughput of 1.5m to 2m tons of cargo and is scheduled to be completed in early 2009.

*Northern Region*

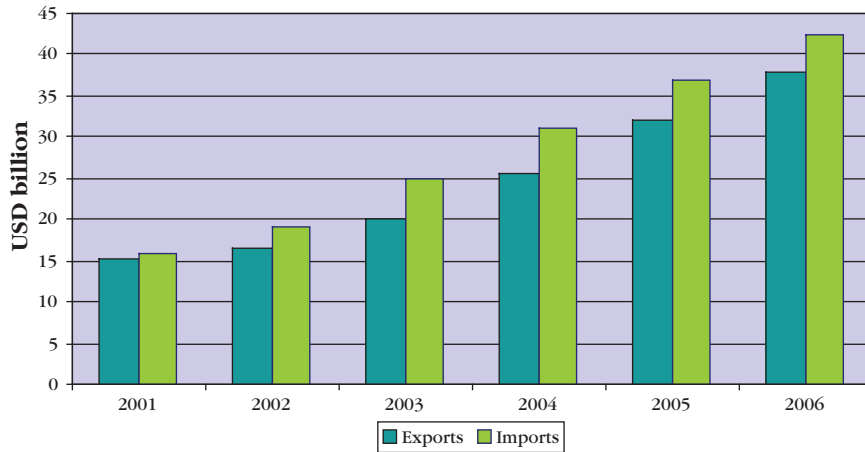
A network of ports in and near Haiphong service trade to the rapidly industrializing areas near Hanoi. Haiphong Port consists of four terminals. The draft is just 8 meters, limiting the port to ships of less than 10,000DWT. Throughputs at Haiphong Port are about 400,000 TEUs per year.

Cai Lan Port in neighboring Quang Ninh Province has a draft of 12 meters and receives ships up to 35,000DWT. However the port only handles about 4 per cent. of Vietnam’s total container traffic, in part because of poor landside infrastructure and insufficient connecting roads.

**3.2 Demand**

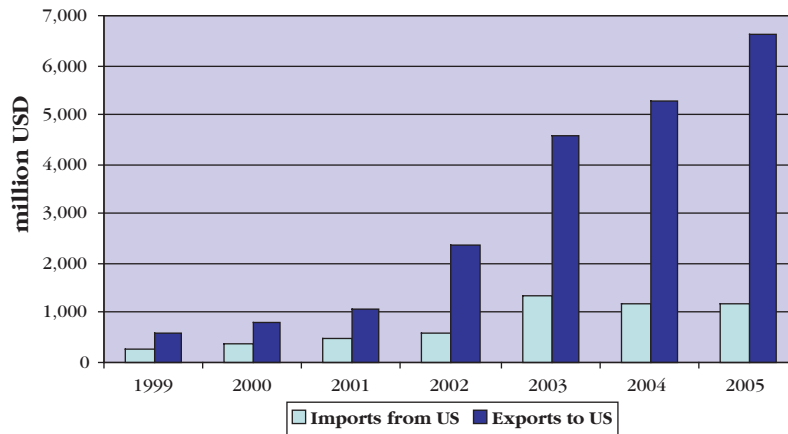
The main growth driver for shipping and port services has been Vietnam’s evolution into a preferred destination for export manufacturing. Exports have grown by an average of 20.4 per cent. per year over the past five years, reaching \$38 billion in 2006. Some of the growth in export value is attributable to the steep increase in oil prices as crude oil is Vietnam’s single largest export item by value. However, the increases in oil exports have been accompanied by parallel increases in Vietnam’s other key exports, including seafood, furniture, garments, footwear, and agricultural products such as coffee, rice, pepper, cashews, and rubber.

### Trade Volumes 2001-2006



Exports have surged since 2001 when Vietnam signed a bilateral trade agreement (BTA) with the U.S. The BTA reduced tariffs on a wide-range of goods manufactured in Vietnam, effectively opening the world's largest market to goods made in Vietnam.

### Vietnam – US Trade and Impact of BTA Trade Volumes 1999-2005



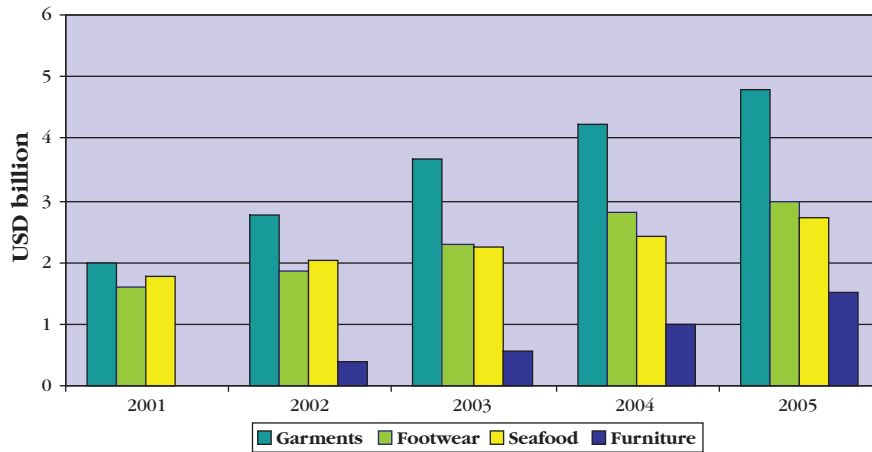
Vietnam is now one of the world's top five exporters of footwear. Korean and Taiwanese manufacturers have been producing under contracts for brands such as Nike, Adidas, Reebok, and Timberland. In 2006, exports reached some 500 million pairs of shoes with an estimated value of \$3.5-\$3.7 billion. The Footwear and Leather Association is forecasting total footwear exports in excess of \$6 billion by 2010.

Vietnam's textile and garment sector has seen a similar rise in exports and is the country's second biggest export by value, after crude oil. The garment and textile sector exported \$5 billion worth of product in 2006. The largest exporters are foreign invested enterprises, primarily Korean and Taiwanese firms producing under subcontract for major labels in the EU, Australia and the US.

Furniture manufacturing for export has grown dramatically since the US-Vietnam BTA. Exports of wooden furniture have increased from \$400 million in 2002 to over \$2 billion in 2006. The significant increase has been due to the opening of the US market and higher US import duties on product imported from China.

Seafood is another key export earner, generating some \$2.8 billion in earnings in 2006. Shrimp accounts for the largest percentage of exports with an estimated \$1.5 billion of product shipped in 2006. Exports of frozen fish exports reached \$600 million in 2006.

### Key Export Volumes 2001-2005



Increased exports of these products by domestic and FDI companies have resulted in a surge in related demand for container services.

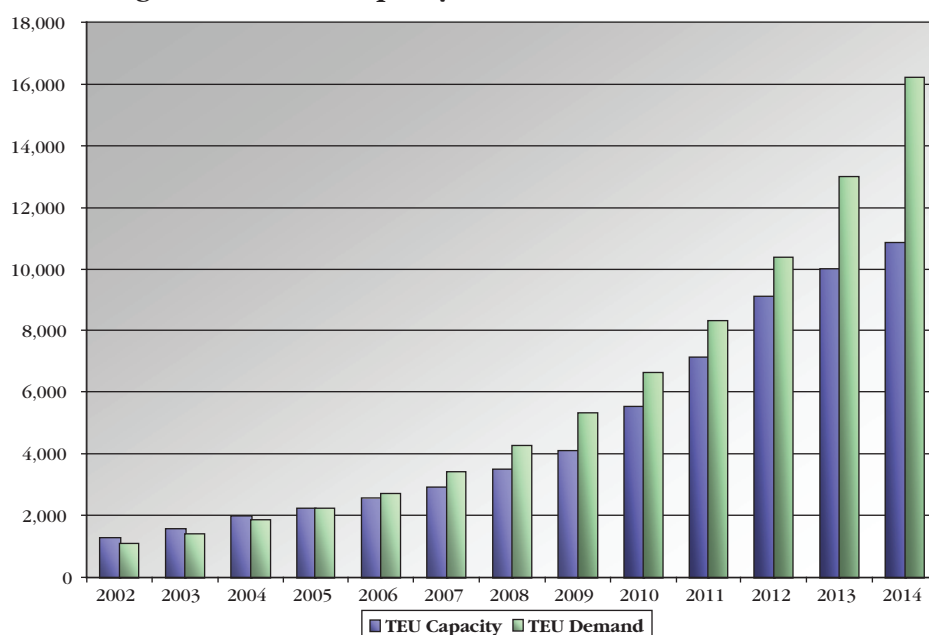
### TEU Exports by Type unit: TEUs

Industry	2002	2003	2004	2005
Furniture	4,473	8,832	21,380	40,055
Apparel	8,238	18,343	21,088	23,168
Footwear	3,143	4,377	6,258	9,083
Coffee	2,592	2,490	3,915	4,101
Ceramics	1,728	2,815	3,769	3,892
Refrigerated Cargo	4,731	5,500	5,051	5,436
Total	24,905	42,357	61,461	85,735
% Growth		41%	31%	28%

Source: APL Shipping

Due to the growth of these key industries, historical 20 per cent. annual growth of shipping volumes in HCMC, Vietnam's entry to WTO in early 2007, and FDI approvals that have surged from \$6.8 billion in 2005 to over \$10 billion in 2006, APL Shipping Lines is expecting demand for container shipments in the south to increase by some 20-25 per cent. over the next ten years. Based on these growth trends, APL forecasts demand in the south will begin exceeding capacity starting in 2007 and will remain a problem over the next five to seven years, despite new container terminals coming online at Hiep Phuoc in HCMC and at Cai Mep - Thi Vai in Vung Tau.

**Southern Region Container Capacity and Demand 2002-2014 Unit: '000 TEU**



Source: APL

Note: Future demand based on growth of 20-25 per cent. per annum. Future capacity based on planned port projects at Hiep Phuoc in HCMC and Cai Mep - Thi Vai in Vung Tau.

### 3.3 **Planned Port Investments**

To address the supply - demand imbalances, the government has approved a series of port masterplans and joint venture projects with foreign port operators for development of new port facilities nationwide. These include port construction and expansion at several key locations, including: Cai Lan, Haiphong, Lach Huyen (Haiphong) Cua Lo, Danang, Nha Trang, Quy Nhon, Saigon, Can Tho, Cai Mep - Thi Vai, Van Phong Bay and Dung Quat. Several of these projects are already under construction.

The Prime Minister has approved foreign participation in many of these projects and has directed Vietnam Maritime Corporation (Vinamarine), Vietnam Shipping Lines Co. (Vinalines), and subsidiary port operators to equitise and issue bonds to raise funds for the projects. Vinalines plans to raise dong 51 trillion VND (US\$3.2 billion) between 2006 and 2010 to invest in its shipping fleet and upgrade its ports.

Of the proposed projects, the most important development will be the organized shift of ports out of congested downtown Saigon to Cai Mep - Thi Vai in Vung Tau and Hiep Phuoc Industrial Zone to the south of HCMC. A summary of these developments and projects in central and northern areas of the country are summarized below.

#### *Southern Ports*

The most significant project is a major port complex under development in the Cai Mep - Thi Vai region of Vung Tau province that will eventually replace Saigon Port. The masterplan for the project calls for seven container and general ports.

Some of the key ports involve joint-venture partnerships between local firms and major foreign port operators such as PSA (Singapore), Hutchison Ports (Hong Kong), SSA Marine (US), APM Maersk (Holland), and ODA partners such as Japanese Bank for Investment and Cooperation (JBIC). The inclusion of experienced foreign investors in these joint ventures will assist in financing, planning and operations of this vital port center.

The site is located along the Thi Vai river where drafts are a minimum of 14 meters, capable of handling large international container ships of 50,000-80,000 tons. The complex is 125 kilometers from HCMC and in proximity to major industrial zones and exporters located in Dong Nai and Binh Duong provinces.



Proposed projects for Cai Mep - Thi Vai that have been licensed or are in preparation include:

- Hong Kong's Hutchison Port Holdings obtained a license to form a 50-year joint venture with Saigon Investment Construction and Commerce Co., Ltd for construction of a container port. The venture plans to build a \$260 million facility with a throughput capacity of 1.1 million TEUs per year. The port will have three berths with a total length of 700 meters. Water depth at the port is 14-meters, sufficient to accommodate vessels of up to 60,000 tons.
- Singapore's PSA obtained a license to form a joint venture with Saigon Port for construction of a deep water container port. The port will consist of four wharves and will be built in two phases. Phase I is expected to cost \$165 million and is scheduled for completion by late 2009. Phase II is budgeted at \$133 million with a completion date of 2017. When both phases are operational total throughput capacity will be 2 million TEUs per year.
- JBIC is providing 85 per cent. of the funding for a \$294 million general cargo terminal at Cai Mep Thi Vai. The terminal will be 600 meters in length and have two berths. The project is expected to be opened for BOT tender bids from operators. The port was scheduled to be completed during 2006-2009 but is behind schedule due to administrative delays. As of early 2007, a technical consultant had been hired to prepare the feasibility study and project design.
- Maersk A/S and HCMC's Saigon Port obtained a license to develop a two-wharf port with investment value of \$187 million at the Cai Mep port complex. Port capacity will be 950,000 TEU per year with operations starting in 2010 or 2011.
- SSA Marine (US) has signed a memorandum of understanding with Saigon Port to build a \$160 million port on 60 hectares at Cai Mep Thi Vai. Plans include 600 meters of berth frontage and container throughputs of 1.35 million TEU per year. The joint venture has submitted an investment application to the government that calls for Saigon Port to hold 51 per cent. of the venture with a duration of at least 50 years.

Landside infrastructure improvements are underway in HCMC to improve connections between industrial zones and future ports to be developed at Cai Mep- Thi Vai. Several bridges, tunnels and highways are under construction to improve road links between industrial zones and key existing and future ports.



<i>Project</i>	<i>Key Impact</i>	<i>Expected Completion Date</i>
Thu Thiem Bridge	Links Thu Thiem Peninsula to HCMC City Center	End-2007
Thu Thiem Tunnel	Improves links from HCMC center to Cat Lai Port and Dong Nai Province	2008
Phu My Bridge	Improves access from HCMC industrial zones to Cat Lai Port and Cai Mep Thi Vai	Early 2009
Phu My Bridge Highway	Improves access from HCMC to Cat Lai Port and ports at Cai Mep Thi Vai	2009
HCMC - Long Thanh - Dau Day Highway	Improves access from industrial zones to Cat Lai Port and ports at Cai Mep Thi Vai	2011

- In addition to the port complex at Cai Mep - Thi Vai, a foreign-invested port project is underway at Hiep Phuoc, to the south of HCMC. The port is a joint venture between P&O Ports (80 per cent.) and Tan Thuan Industrial Promotion Corp. (20 per cent.). Work on the 40 hectare port started in late 2006. The \$250 million port will have four berths along a 950 meter wharf and an expected capacity of 1.5 million TEU per year. The port is scheduled to come online in 2008 but significant dredging work is necessary near the port entrance which may push back start dates.

#### *Northern Ports*

- Vinalines, operator of ports at Haiphong and Cai Lan, signed an agreement with SSA Marine to invest in a \$100 million upgrade of Cai Lan Port. Under the agreement, SSA Marine, Vinalines and Quang Ninh Port will form a joint venture to develop and operate three container berths at Cai Lan. The proposed joint venture is pending government approval. Separately, Vinalines is preparing to dredge the passage leading to Cai Lan Port to accommodate ships of up to 40,000 DWT.
- The Vietnam maritime Administration (Vinamarine) is conducting feasibility studies for development of a deep water seaport at Lach Huyen near Haiphong. The port would handle ships of 60,000-80,000 DWT with construction scheduled to begin in 2010 and completed by 2015. Belgium's Port of Zeebrugge has been in discussions with Vinamarine regarding joint venture participation in the port development.

#### *Central Ports*

- The main port developments completed or under construction in the central region include the Danang Port upgrades (Phase I complete, Phase II planned for 2015), and the Dung Quat Port in Quang Ngai Province. Various proposals have been suggested to develop deep water ports at Chan May in Hue province, Ky Ha Port in Quang Nam Province, and at Quy Nhon Port farther to the south. However, the existing port at Danang is already at over capacity even before completion of the Phase II expansion. Additional port expansions at Chan May, Quy Nhon and Ky Ha may not be viable due to the low levels of manufacturing in these areas and sufficient capacity at Danang and Dung Quat.
- The Ministry of Transport recently approved a plan to develop a major deep water port and industrial zone at Van Phong Bay, north of Nha Trang. The plan calls for Van Phong Port to be expanded to an international container port on 118 hectares, accommodating ships of 80,000-100,000 DWT and with throughput capacity of 1-2 million TEUs per year. Water depth is 20-22 meters and the bay has 6 km wide navigational entrance. Initial price tag for the port is \$3.5 billion with a completion date of 2015. There is relatively little manufacturing or trade in the area so the government is hoping to develop Van Phong into a heavy industrial zone and international transshipment port. A number of foreign investors from Korea and Japan have expressed interest in developing related infrastructure, industrial zones, and heavy industries at the site.

## **4. Telecoms**

Over the past decade Vietnam has been the second-fastest growing telecommunications market in the world measured by new phone subscribers. State-owned carrier Vietnam National Post and Telecom

(VNPT) is still the main player in the market, but it is gradually relinquishing its monopoly on fixed line and mobile telecom services due to government policy and Vietnam's international treaty obligations (WTO, US-Vietnam bilateral trade agreement). The Ministry of Post and Telematics (MPT) is responsible for regulatory policy.

There are an estimated 25.5 million telephone subscribers in Vietnam, with an estimated 7.1 million fixed line subscriptions and 18.4 million active wireless subscribers, equating to a teledensity ratio of 30. VNPT is targeting a teledensity of 38 by the end of 2007, mainly due to continued rapid uptake of mobile subscribers.

The mobile services market is driving the tremendous growth of Vietnam's telecom market, and mobile subscribers now account for some 70 per cent. of all subscriptions. Since 2002, wireless subscriber numbers have increased by an average of 50 per cent. per year, but over the last three years this has jumped to an average of 92 per cent. growth per year. Still, compared to developed countries the current mobile penetration rate remains low at 22 per cent.

The growth in new subscribers is due, in part, to low base numbers, but is mainly a result of liberalization of the sector that has seen the entrance of four new service providers since 2003. Increased competition, a loosening of government controls over pricing, and rising consumer spending power have made mobile phone ownership and calling costs within the reach of the majority of urban consumers and, increasingly, rural consumers.

*Leading Mobile Operators Subscriber Levels 2004-2006*

Operator	2004		2005		2006	
	New	Year-End Total	New	Year-End Total	New	Year-End Total
Viettel	170,000	170,000	1,830,000	2,000,000	5,000,000	7,000,000
Mobifone	850,000	2,200,000	1,600,000	3,800,000	3,200,000	7,000,000
Vinaphone	810,000	2,510,000	1,090,000	3,600,000	2,247,713	5,847,713
S-Fone	200,000	200,000	300,000	500,000	900,000	1,400,000
Total	2,030,000	5,080,000	4,820,000	9,900,000	11,347,713	21,247,713

Source: company estimates, MPT, VNPT.

Notes: (i) Includes active and inactive users. (ii) EVN Telecom at 120,000 subscribers year end 2006.

There are six wireless service providers in operation. The market leaders Viettel, Mobifone and Vinaphone use GSM standard, while S-Fone, EVN Telecom and HT Mobile (Hanoi Telecom) are CDMA-based services. State-owned companies retain significant ownership of the leading mobile operators. VNPT owns both Mobifone and Vinaphone. Viettel is owned by the Ministry of Defense, while EVN Telecom is owned by Electricity of Vietnam.

Foreign investors have entered the fixed line and mobile market via cumbersome investment structures called business cooperation contracts (BCCs). Under BCCs, foreign investors contribute capital, equipment, and technical expertise to invest in infrastructure, while the local partners retain operational control of the services. The partners then share revenues over a fixed period. Most foreign telecom companies have criticized BCCs because they are forced to relinquish most operational control to the local partner and do not receive equity stakes in the ventures.

Under Vietnam's various trade agreement commitments, the BCC will be phased out to allow for equity investments and joint ventures for certain services (see Regulatory Environment below). The dismantling of BCCs and introduction of joint ventures for certain kinds of telecom services is expected to spur new investment by foreign telcos in the market starting in late 2007.

Leading foreign investments in the 1990s included BCCs between VNPT and Australia's Telstra for provision of international phone services, VNPT and Sweden's Comvik for the VMS-Mobifone network, and partnerships to roll out fixed line services with partners such as Nippon Telegraph and Telephone (NTT) and France Telecom. More recently, Korea's SLD Telecom formed a BCC partnership with Saigon Postel for the S-Fone mobile network and Hutchison partnered with Hanoi Telecom to launch the HT Mobile network in early 2007.

#### **4.1 Financing and Equitisation**

Most new investment in telecom infrastructure has been self-financed by VNPT, local posts and telecoms, and each of the main wireless operators. ODA financing for new investments has been limited, with the exception of some projects to improve telephone access in rural areas.

Though it is not yet listed on the HCMC Stock Trading Center, Saigon Postel (SPT) is the only telecom firm to have issued shares to outside investors, including foreign investors. SPT operates fixed line services in HCMC and recently obtained licenses to build a fixed line backbone for long-distance, local, and international calls. It is one of only eight service providers to have obtained such licenses, along with VNPT, Viettel, EVN Telecom and several smaller players. SPT is also the local partner in the S-Fone BCC. In late 2006, SPT held a share auction that saw several local banks and foreign funds obtain stakes in the company.

The main event at the end of 2007 will be the first stock market listing of a telecoms firm; VMS – Mobifone. VMS is the second largest mobile operator in Vietnam and is arguably the best performing due to its foundations as a BCC between VNPT and Sweden's Comvik. (The BCC has since expired and Comvik is in discussions with VMS to become a major strategic shareholder in the newly equitised company.)

Following this benchmark listing, Vinaphone is expected to follow suit in 2008. EVN Telecom has announced plans to become a joint stock company sometime in 2008. The market leader by subscriber numbers, Viettel, has no immediate plans for equitisation or a listing.

#### 4.2 **Fixed Line Services**

At year end 2006 there were approximately 7.1 million fixed line subscribers, up from 3.2 million fixed line subscribers in 2000. VNPT manages nearly all fixed line services in Vietnam although three local companies – Viettel, SPT, and most recently FPT Telecom — have been granted licenses to provide fixed line services on a limited basis.

Starting in the mid-1990s, VNPT signed several business cooperation contracts with foreign telecoms firms, including France Telecom and NTT. France Telecom engaged in a \$400 million BCC to install up to 500,000 lines in Ho Chi Minh City. NTT installed 240,000 lines in Hanoi as part of a \$200 million BCC. In the late 1990s several foreign companies, such as Cable and Wireless, had considered similar fixed-line partnerships with VNPT but withdrew because of the BCC partnership structure.

VNPT sets masterplans for development of the nation's telecom infrastructure and large scale provincial and city telecom investments. Under Decree 191 issued by the Prime Minister's Office in 2004, The MPT and VNPT are charged with increasing telephone access in rural and remote areas by 2010.

Vietnam Public Utility Telecommunications Service Fund (VTF) is administering the project under the guidance of the MPT. According to the MPT, the fund will spend up to \$650 million over the life of the project. The primary goal is to provide fixed line and mobile services to nearly 3,000 communes, the smallest of Vietnam's municipalities, by 2010.

The government recently completed a \$100 million Central Rural Telecommunications Project to install 140,000 new phone lines in 10 central provinces. The government funded \$20 million of the project from the state budget with the Japan Bank for International Cooperation (JBIC) funding the balance \$80 million.

#### 4.3 **Wireless Services**

As of early 2007, Viettel became the market leader by subscriptions, replacing the duopoly of Mobifone and Vinaphone which had dominated the market since the late 1990s. Viettel claims to have an estimated 9 million subscribers, followed by Mobifone with 8.5 million.

Over the past year, Viettel has been signing up new subscribers at a rate nearly double that of its main competitors, with an average of 650,000-700,000 new subscribers per month. Vinaphone and Mobifone estimate they signed up an average of 225,000 and 275,000 new subscribers per month during the fourth quarter 2006, respectively. CDMA providers EVN Telecom, S-Fone, and newly launched HT Mobile account for just 6.9 per cent. of the total market.

The first quarter of 2007 was marked by the official launch of HT Mobile, Vietnam's sixth mobile phone network, and third CDMA-based service. HT Mobile is a BCC between Hutchison Telecom and Hanoi Telecom. Based on MPT development plans, HT Mobile will be the last mobile service provider to obtain an operating license until at least 2010.

*Q1 2007 Market Overview - Marketshare*

<i>Data</i>	<i>Registered Subscribers</i>	<i>Marketshare</i>
Viettel	9,000,000	34.7%
Mobifone (VMS)	8,500,000	32.7%
Vinaphone (GPC)	6,689,038	25.8%
S-Fone	1,560,000	6.0%
EVN Telecom	170,000	0.7%
HT Mobile (Hanoi Telecom)	40,000	0.2%

Source: company estimates

Viettel attributes the surge in new subscribers to competitive pricing, unique promotions, and the best network coverage in the country. Mobifone and Vinaphone executives counter that Viettel continues to benefit from MPT policy that enables new entrants to the market (Viettel, EVN Telecom, S-Fone and HT Mobile) to offer lower subscription rates and calling fees than the market incumbents Mobifone and Vinaphone. Viettel's pricing is some 20-30 per cent. lower than prices offered by Mobifone and Vinaphone when all promotions and bonus credits are factored, although VNPT has announced that Mobifone and Vinaphone also will be cutting rates by some 20 per cent. in 2007.

The ratio of prepaid to postpaid subscribers is 70:30 for most operators. Because of the preponderance of prepaid cards, GSM operators indicate that many of their customers have multiple SIM cards and switch from one provider to the next depending on pricing and promotions. As a result, inactive subscriber levels quoted by GSM operators range from 15-40 per cent. Inactive rates tend to be lower among CDMA operators because customers need to purchase dedicated handsets to use the services.

*Q1 2007 Mobile Market Overview - Subscriber Totals*

<i>Data</i>	<i>All Operators</i>
Total Subscribers	25,959,038
Active	18,395,292
Inactive	7,563,746
Prepaid	20,295,220
Postpaid	5,663,818

Source: company estimates

**4.4 Wireless Operator Summaries and Investment Plans**

*Viettel*

As of the first quarter of 2007, Viettel reached the 9 million subscriber mark, distancing itself from the other main operators Mobifone (VMS) and Vinaphone (GPC). Viettel is running a number of promotions to attract users in rural areas that waive sign up fees and allow for free connections after an account has been active for three months.

Despite the high topline figure, Viettel reports that an estimated 40 per cent. of its subscribers are inactive. The company acknowledges that a significant proportion of its user base signs up new subscriptions during major promotions, then switches to other carriers once the promotional values or bonus credits have expired.

In 2006, the company invested significantly in new infrastructure, installing 10 new switching centers (MSC) and some 300 new base stations (BTS). Viettel also put in place 10 mobile BTS, primarily to handle the surge in call volumes during the Tet holiday. The company plans to install an additional 2,000 stations in 2007, enabling it to double network capacity to 20 million subscribers.

The government has given Viettel permission to become a joint-stock company with an eventual listing on the stock market, though this is likely to happen only after Mobifone and Vinaphone have listed.

*Viettel Operations Summary (March 2007)*

<i>Data</i>	<i>Viettel</i>
Total Subscribers	9,000,000
Active	5,400,000
Inactive	3,600,000
Prepaid	6,120,000
Postpaid	2,880,000
Average Number of New Subscribers per Month	650,000
ARPU (Avg. Revenue per User)	\$13.5
# of BTS (base stations)	3,300
# of MSC (main switching centers)	20
# BSC (base station controller)	61
Total Revenue Viettel Mobile (2006)	\$445 million
Voice Revenue	80%
Data Revenue (SMS, etc)	20%

*Vietnam Mobile Services (VMS - Mobifone)*

Mobifone subscribers reached 8.5 million through the first three months of the year. The company installed 600 new BTS and added three MSC and three base station controllers during the fourth quarter 2006/first quarter 2007.

Mobifone announced investment plans for 2007 and 2008, with some \$100 million budgeted for network upgrades. According to Mobifone directors, funds will go towards installing 2,000 new BTS and six mobile transceiver stations. With the new infrastructure in place, Mobifone's capacity will increase to handle 11 million new subscribers.

Senior government officials are pushing for VMS to equitise and list by year end 2007. The Prime Minister has approved the equitisation plan for 2007 and the deputy director general of VNPT, Lam Hoang Vinh, has also confirmed that the equitisation would be completed by year's end.

Mobifone must resolve a series of issues regarding valuations and selection of strategic foreign investors before doing so. Mobifone executives stated that they have completed negotiations for the dissolution of the BCC with Comvik and that the company is now in equity sales negotiations with "global telecom leaders". These telecom leaders are believed to include Comvik, France Telecom, Norway's Telnor, and two telcos from the U.K. The MPT and Ministry of Finance have indicated that Mobifone's listing will serve as a test case for the equitisation of Vinaphone the following year.

*Mobifone Operations Summary (March 2007)*

<i>Data</i>	<i>Mobifone</i>
Total Subscribers	8,500,000
Active	6,350,000
Inactive	2,150,000
Prepaid	7,015,000
Postpaid	1,485,000
Average Number of New Subscribers per Month (1st quarter 2007)	500,000
ARPU (Avg. Revenue per User)	\$16
# of BTS (base stations)	3000
# of MSC (main switching centers)	20
# BSC (base station controller)	42
Total Revenue (2006)	\$615 million
Voice Revenue	81%
Data Revenue (SMS, etc)	19%

### *Vinaphone (GPC)*

Vinaphone subscribers reached 6.7 million, with an estimated 5.5 million active subscribers according to Vinaphone executives. The company reported 2006 revenues of \$600 million.

Looking forward in 2007, Vinaphone announced plans to invest \$100 million on new infrastructure upgrades and expansion over the next two years. The amount marks the company's largest investment plan in 10 years according to Vinaphone directors.

As part of the investment, Vinaphone plans to install an additional 3,000 BTS in 2007 and into early 2008. The infrastructure investments will bring Vinaphone's BTS network total to nearly 5,000. The company is targeting 2.5 million new subscribers in 2007.

VNPT has submitted new pricing plans to the MPT. Pending approval, it will reduce calling costs for the Vinaphone and Mobifone networks by up to 20 per cent. implemented over two separate campaigns in 2007. The pricing plans are aimed at making Vinaphone and Mobifone more competitive against rival Viettel.

Vinaphone has tentative plans to list its shares on the local stock market in 2008. The plan has been approved by senior officials, but delays are expected due to Vinaphone's complex operating structure and cross-ties with provincial and local post and telecom operators. The company is exploring ways to spin off Vinaphone from its parent company, VNPT.

### *Vinaphone Operations Summary (March 2007)*

<i>Data</i>	<i>VinaPhone</i>
Total Subscribers	6,689,038
Active	5,455,292
Inactive	1,233,746
Prepaid (active + inactive)	5,863,720
Postpaid	825,318
Average Number of New Subscribers per Month	400,000-450,000
ARPU (Avg. Revenue per User)	\$18 for post paid. \$10 for pre-paid.
# of BTS (base stations)	2,025
# of MSC (main switching centers)	18
# BSC (base station controller)	75
Total Revenue (2006)	\$600 million
Voice Revenue	75%
Data Revenue (SMS, etc)	25%

### *S-Telecom (S-Fone)*

Through March 2007, S-Fone had 1.5 million subscribers, with active subscribers accounting for 65 per cent. of total users. In 2007, the company submitted a request to the government to increase the investment capital of the BCC from the original \$230 million to \$545 million and to lengthen the duration of the agreement by seven years to 2023. The Korean partners in the venture, SLD Telecom, are also petitioning the government to convert the partnership from a BCC to a joint venture.

*S-Fone Operations Summary (March 2007)*

<i>Data</i>	<i>S-Fone</i>
Total Subscribers	1,560,000
Active	1,014,000
Inactive	546,000
Prepaid	1,248,000
Postpaid	312,000
Average Number of New Subscribers per Month	55,000
ARPU (Avg. Revenue per User)	\$11
# of BTS (base stations)	900
# of MSC (main switching centers)	5
# BSC (base station controller)	9
Total Revenue (2006)	\$68 million
Voice Revenue	70%
Data Revenue (SMS, etc)	30%

Note: Revenue figures for SPT group, including S-Telecom operations. S-Telecom revenues not broken out separately.

*EVN Telecom*

EVN reached the one million subscriber level by the end of March 2007. However, 80 per cent. of these subscribers are for EVN Telecom's Internet based service "Ecom" which primarily provides Internet access to customers. The company estimates that 170,000 subscribers are for EVN Telecom's "Ephone" and "Emobile" phone services. The company reported 2006 revenues of \$67 million. The majority of this was for the Ecom service, with Emobile and Ephone services accounting for approximately \$16.8 million.

EVN Telecom announced it would convert from a subsidiary of Electricity of Vietnam into an independent joint-stock company by 2008. The company is expected to follow Mobifone and SPT's lead in issuing shares to domestic and foreign investors either via the OTC or listed markets.

In early 2007, EVN Telecom received the first license to provide 3G service in Vietnam, and was assigned the 1900MHz frequency to complement its existing 450 MHz frequency. EVN is hoping that the new frequency will help boost subscriber levels. EVN attributes its current low subscriber numbers, in part, to the unpopular models and high-priced handsets that customers were forced to use for the 450MHz service.

*EVN Telecom Summary (March 2007)*

<i>Data</i>	<i>EVN Telecom</i>
Total Subscribers	Total: 850,000 Ecom: 680,000 (80%) Ephone, Emobile: 170,000 (20%)
Active	136,000
Inactive	34,000
Prepaid	8,500
Postpaid	161,500
Average Number of New Subscribers per Month	110,000-150,000 (for all services)
ARPU (Average Revenue per User)	150,000VND (\$9.30)
# of BTS (base stations)	1090 installed (900 in operation)
# of MSC (main switching centers)	6
# BSC (base station controller)	6
Total Revenue (2006)	Total \$67 million, of which: \$16.77 million for Ephone and Emobile
Voice Revenue	n/a
Data Revenue (SMS, etc)	n/a

### *HT Mobile*

HT Mobile officially launched its services nationwide January 15th 2007. Through the first two months of operations the company has an estimated 40,000 new subscribers.

Though the company has not made any official announcements, HT Mobile is expected to spend \$40-50 million in 2007 expanding its network coverage and services. The company has set a goal of registering 1.5 million subscribers in 2007.

#### **4.5 3G Investments**

Development of 3G networks in Vietnam remains in the planning stages, though a significant development was the award of the first 3G frequency to EVN Telecom.

In 2006, the largest operators - Vinaphone, Mobifone and Viettel - all had their initial proposals for providing 3G services rejected by the MPT for being "unfeasible." The three companies are now working on revised proposals and plan to launch full scale trial services in major urban areas later this year. Simultaneously, the MPT is drafting regulations covering the provision of 3G services and preparing for allocation of spectrum.

According to executives at VNPT, three new 3G licenses will be issued in addition to the one already granted to EVN Telecom. They expect VNPT will be granted one license (and two frequencies) that will be applicable for both the Vinaphone and Mobifone networks. That would leave two for the remaining players Viettel, S-Fone and HT Mobile.

Based on the results of the trial services to date, Vinaphone and Mobifone executives cited overall low demand for 3G services such as multimedia downloads, internet and email access. Despite these initial findings, the companies said they expect to launch full 3G services by late 2007 or early 2008.

Several companies have also been allowed to carry out trial Wimax services. The Vietnam Data-communication Co (VDC) conducted test Wimax service in Lao Cai Province. VTC is testing Wimax in Hanoi and HCM City. FPT Telecom is testing both Mobile Wimax and Fix Wimax while Viettel is testing Mobile Wimax. EVN Telecom is testing Wimax services through the first quarter of 2007.

#### **4.6 Regulatory Environment**

The MPT plans to issue new regulations for the telecom sector in 2007 to comply with WTO obligations. MPT officials are drafting new guidelines for the industry and rules on foreign participation in the sector. The decree is expected to address issues such as procedures for granting investment licenses, license transferring and selling shares to outside investors and strategic partners. The decree will lay the legal foundations for establishing joint ventures and for share acquisitions of equitised telecom firms.

The new regulations will allow for joint ventures for certain telecom services starting in late 2007. In accordance with the US-Vietnam Trade Agreement, Vietnam will allow US companies 49 per cent. ownership in joint ventures providing fixed, inter-province and international telecom services starting in December 2007.

Following requirements built into Vietnam's WTO entry agreement, Vietnam will open its telecommunications market and permit majority-owned foreign supply in four areas: basic public telecommunications services offered on a non-facilities basis (fixed and mobile services offered by leasing transmission capacity from a Vietnamese company); private data networks (primarily serving multinational investors, offering Internet-based applications); satellite services; and submarine cable services. These market opening measures will be phased in and not fully available to foreign investors until 2010.

Vietnam also accepted the pro-competitive WTO Basic Telecommunications Reference Paper which establishes an independent regulator and obligations to prevent anti-competitive behavior by the dominant supplier. The Reference Paper establishes transparency obligations and interconnection requirements.

## **5. Water and Sanitation**

Vietnam needs some \$600 million of investment per year to reach the country's development goals of 100 per cent. access to clean water supplies and wastewater treatment facilities in urban and rural areas by 2020. This amount is roughly four times the amount spent annually over the past decade so the sector is facing severe financing constraints.



According to the Vietnam Household Living Standards Survey (2004) rural access to water supply and sanitation is 48 per cent. and 16 per cent., respectively. The corresponding access rates in urban areas are 82 per cent. for water and 76 per cent. for sanitation. As a country, water coverage rose from 26 per cent. to 57 per cent. from 1993-2004 while the corresponding figures for sanitation saw an increase from 10 per cent. to 31 per cent. In Ho Chi Minh City, the largest market, daily demand for clean water is estimated at 1.5 million m<sup>3</sup> while supplies are at 1.1-1.2 million m<sup>3</sup>.

ODA has been the primary means of financing investment in urban water supply and sanitation. Of the \$1.1 billion invested over the past decade, 85 per cent. (\$838 million) has come from ODA loans with \$165 million from the government budget. Major donors such as the World Bank and Asian Development Bank have indicated that preferential loans for water and sanitation projects are unlikely to continue at the same level over the next ten years. As a result, the target investment levels of \$600 million per year will need to come from borrowing, capital markets, or increased participation by independent investors via BOT or BOO projects.

**5.1 Investment Goals**

The government has set numerous targets for water supply and sanitation in urban and rural areas by 2010 and 2020. These include 95 per cent. of urban residents having clean water access by 2010, and 40 per cent. of urban/industrial wastewater treated. In rural areas, the government is targeting 85 per cent. access to clean water by 2010. By 2020, 100 per cent. of residents in urban areas are to have access to 150 liters of clean water per capita per day, while in rural areas 100 per cent. are to have access to 60 liters per capita per day.

*Water Supply and Sanitation Investment Targets*

<i>Targets</i>	<i>2000-2010</i>	<i>2010-2020</i>
Urban Water Supply and Sanitation	By 2010, 95% urban access to clean drinking water. 40% urban wastewater treatment and 60% disposal of “dangerous waste” from industry, hospitals, etc.	100% of urban population having access to safe water of 120-150 l/capita/day. all urban areas with suitable water drainage systems and wastewater treatment facilities.
Rural Water Supply and Sanitation	85% of the rural population having access to national-standard clean water of minimum 60 l/day and 70% of rural households using hygienic latrines	100% of rural population having access to national-standard clean water of minimum 60 l/day
Investment Required	\$1.8 billion	\$6 billion

Source: World Bank

**5.2 Financing and Private Sector Participation**

Current service provision is dominated by the public sector in the form of provincial or municipal water supply companies (WSCs). Historically, the WSCs have been hampered by government price caps on water supplies, particularly for residential customers. Low prices, combined with inefficiencies and poor management resulted in operating losses and an inability to invest in new capacity.

The financing of urban water supply, sanitation and drainage is under the responsibility of each provincial People’s Committee. Due to budget shortages, the national government provides support for capital investment and coordinates ODA funds for water supply and sanitation projects. The local and provincial governments have sufficient budgets to fund only 4 per cent. of the urban needs to 2010. The contribution of ODA and national government funds gets the financing to just 25 per cent. of the total needed. Either new sources of financing need to be identified or the government needs to revise its water supply goals for 2010 and 2020. A combination of the two is most likely.

Recognizing the shortfall, several steps have been taken to restructure the industry and access additional funds. Municipal governments have permitted gradual increases in water tariffs to allow WSCs to at least cover operating costs. Access to short-term debt from commercial banks is occurring on a limited basis. Four water companies have been equitised to raise funds. Most significantly, the sector has been opened to independent entities (both private and state-owned companies) to operate water supply projects on a BOT or BOO basis.

The benchmark BOO project to date has been the Thu Duc Water Supply project in HCMC.

A consortium of leading state owned companies, government entities and private sector firms formed a joint-stock company to operate a 300,000m<sup>3</sup> per day water supply plant and sell output to Saigon Water Supply Co (SAWACO) at \$0.16 per m<sup>3</sup>.

The consortium is led by HCMC Infrastructure and Investment Co. (CII), a state-owned company that has equitised and listed on the HCMC Stock Exchange. CII holds 40 per cent. of the Thu Duc Water BOO with the remainder held by other five members, including the HCM City Fund for Urban Development (16 per cent.), General Construction Corp No.1 (20 per cent.), Refrigeration and Electrical Engineering Co. (REE) (10 per cent.), Water and Environment Joint Stock Co (10 per cent.), and the Thu Duc Housing Development Company (4 per cent.). The consortium obtained a \$65 million loan from Vietnam's Development Assistance Fund (DAF) and in 2005 signed a \$92 million contract with Hyundai Corporation for construction of the plant. The plant is scheduled to come online by September 2007.

### 5.3 *Foreign Investment*

Currently there are no foreign-invested projects in water supply and sanitation. In 1994, the first water supply BOT was awarded to a Malaysian invested venture, Binh An Water Corporation. Under the agreement, the Binh An water treatment plant was to supply water to the HCMC WSC at the rate of 100,000 m<sup>3</sup>/day for a flat take-or-pay charge of \$0.30/m<sup>3</sup>. The second phase was licensed in 1999 but never started, mainly due to disagreements over tariffs and the take-or-pay structure. In August 2004, the HCMC WSC took over the project and the government paid \$4 million in compensation to the Malaysian investor.

The second attempt at a foreign BOT was France's Lyonnaise-Vietnam Water Company. The company was licensed in 1997 for the construction of the Thu Duc No.2 water treatment plant on a BOT basis. The 300,000 m<sup>3</sup>/day plant was scheduled to start operations in 2003. However, Lyonnaise withdrew in February 2003 when the venture failed to reach pricing and contract terms with the HCMC government. In August 2004, the CII took over the project.

### 5.4 *Upcoming Projects*

Most upcoming projects in water supply and sanitation during the first half of 2007 are ODA financed or projects by municipal water supply companies. Two private sector projects under consideration.

- A consortium including Saigon Beer Alcohol and Beverages Corp (SABECO), Refrigeration Electrical Engineering Co (REE), and Venture Capital Investment Co. have requested permission from HCMC authorities to develop two water plants for HCMC. Total investment capital required for the projects is estimated at \$90 million for both plants, with total capacity of 300,000m<sup>3</sup> per day. Investment would be either a BOO by the three partners, or a joint venture between the three and Saigon Water Supply Co.
- Malaysia-based Salcon Bhd has submitted proposals for a \$50 million water supply project in HCMC and a \$200-\$300 million centralized sewage system in Dong Nai Province. The company said that before implementing the projects the Vietnamese must clarify laws and regulations related to foreign investment in water infrastructure projects.

## 6. **Transport Sector**

Development of road and rail networks is lagging far behind Vietnam's economic growth rates and business demand for modern transportation infrastructure. There are no modern railways or urban rail systems in Vietnam. The roadways are in calamitous shape. Existing urban roads are reaching capacity due to congestion, there is no nationwide expressway system, and there are insufficient connections to major transport and logistics hubs.

From 1999 to 2005, the volume of cargo moved on Vietnam's roads has increased by an average of 8 per cent. per annum. In areas such as HCMC and Hanoi, these growth rates were higher. Growth in passengers per kilometer increased by 7.7 per cent. over the same period. Goods transport by rail has increased by an average of 9.4 per cent. per annum, while growth in passenger air traffic has increased by 15 per cent. per year.

### 6.1 *Roads*

Road remains the dominant means of transport, accounting for 67 per cent. of cargo moved. The dependence on road transport highlights the need to expand capacity and upgrade existing

networks. Roughly 85 per cent. of the national roads are paved, while only 54 per cent. of the provincial roads, and 20 per cent. of the district roads are paved. Almost all roads are dual two-lane and major constraints include narrow widths, poorly designed junctions, and restrictive vehicle weight limits. Main roads are in reasonable condition, but many rural roads, particularly those in mountainous areas, are in very poor condition.

In urban areas around Hanoi and HCMC, the main problems are congestion and insufficient road and bridge networks to handle traffic between logistics hubs, industrial zones and ports. In major urban centers such as Danang, HCMC and Hanoi, there are now limited sections of dual four-lane divided highway in certain industrial areas. However, these road connections are insufficient to meet existing and projected future demand, particularly with the rise in trade volumes and increased vehicle fleet. The problem is expected to worsen because the populations of HCMC and Hanoi are forecast to triple by 2020. As incomes rise, cars will increasingly replace motorbikes as the preferred means of transport.

It's difficult to measure exact numbers of vehicles on Vietnam's roads due to the large number of unregistered vehicles and unrecorded imports in the market. The most popular vehicles are two and four-stroke motorbikes. Based on statistics from Vietnam's Vehicle Registry, production estimates by local assemblers, and import volumes, there are now an estimated 18 million motorbikes on Vietnam's roads, up from 8 million in 2001. At current rates, the motorbike fleet is increasing by some two million units per year.

There are an estimated 800,000-850,000 passenger cars, vans, trucks and buses in use on Vietnam's roads. At current rates, the number is increasing by some 75-80,000 units per year. There are eleven automobile companies in Vietnam assembling vehicles from imported kits. These firms assemble some 25,000-40,000 vehicles per year for sale on the local market. In recent months, sales by these assemblers reached 4,000-4,500 units per month, up 100 per cent. over 2006 figures.

Looking forward, Vietnam's commitment to ASEAN Free Trade Agreements may see a surge of imports on finished two-to-ten-seat cars from ASEAN countries. Duties on these vehicles are to be cut from 100 per cent. to 20 per cent. in 2008, and to 5 per cent. in 2009. If the new duties are implemented on schedule, there should be a significant increase in finished car imports given consumer preference for autos and motorbikes manufactured outside of Vietnam.

## 6.2 *Key Players*

The Ministry of Transportation (MoT) is responsible for investing in road infrastructure and channeling ODA funds through various Project Management Units (PMUs).

In 2006, the MoT established a joint-stock company called Vietnam Expressway Corporation (VEC) to develop, invest, operate and maintain Vietnam's road networks. VEC remains majority owned by the State, along with state construction companies Cienco 1, Cienco 5, Cienco 8, Vietnam Insurance Corporation (Bao Viet) and shipping company Vinashin. VEC raises capital from the State budget, state-guaranteed bonds, and by selling toll concessions.

Over the past year there has been increased pressure by ODA lenders to shift some of the road management away from State entities to independent BOT operators or the private sector. Since 1996, the private sector has accounted for less than 2 per cent. of total capital investment in transport infrastructure.

With some \$25 billion in road projects planned until 2020, there are concerns about adding to the MoT's existing debt of some 19.5 trillion VND (\$1.2 billion), not including debts by provincial governments. Second, ODA has accounted for 85 per cent. of all road financing, but Vietnam will not qualify for concessionary loans indefinitely. Finally, well-publicized scandals within the Transport Ministry and related PMUs on numerous road projects have ratcheted up calls for greater private sector/independent involvement in road construction projects.

A number of domestic investment groups have stepped in to develop BOT road projects or purchase toll concessions on major roads. In HCMC, the main player is listed firm HCMC Infrastructure Investment Joint Stock Company (CII). CII paid 1 trillion VND (approx. \$64 million) for the rights to collect tolls for nine years along the main North-South highway entrance to the city. In 2007, CII purchased the rights to manage a toll station on Binh Trieu Bridge linking HCMC with Binh Duong Province. CII plans to explore other toll concessions on road sections and bridge links between HCMC and Binh Duong, home to numerous industrial parks.

One of the four major state-owned banks, Bank for Investment and Development (BIDV) has proposed a number of BOT road projects in partnership with other SOEs. In the south, BIDV is bidding on a key \$1 billion road project from HCMC - Dong Nai with consortium partners including Bitexco, Vinashin, Vietnam Post and Telecommunication Group (VNPT), Song Da Corporation, Vietnam Coal and Mining Group, IDICO, and Halong Investment and Production Company.

BIDV is exploring two other large projects, including a \$1 billion Hanoi - Haiphong expressway built under a BOT structure in partnership with Vietcombank, and a \$375 million, 72 km expressway project linking Bien Hoa with Vung Tau, also under a BOT structure in partnership with My Thuan Project Management Unit.

Paralleling BIDV's entrance to infrastructure funding, HCMC industrial zone owner ITACO group has launched a new business division to develop BOT road projects. The new company ITA Freeways Company is targeting for its first project a toll road linking HCMC to Long An Province in the Mekong Delta. Long An government authorities have approved the project in principle and have submitted it to the national government for approval.

### 6.3 *Planned Road and Rail Investments to 2020*

The Ministry of Planning and Investment (MPI) and Ministry of Transport have developed a masterplan for major road and rail projects to be completed by 2020. The MPI document complements a transport masterplan issued in 2004, providing more details on specific projects and sources of financing.

The MPI plan calls for an astonishing \$72 billion in investment in major road and rail projects from 2007-2020, and an expectation that ODA will foot \$63 billion of the bill through low interest loans. The plan calls for \$14.87 billion of investments from 2007 to 2010, and \$57.9 billion from 2010 to 2020.

The current plan allocates some \$7.3 billion of investments to BOTs by foreign investors or domestic corporations (both private and state-owned). As cited earlier, ODA financing at concessional rates may not be feasible starting early in the next decade so a larger share of investment may be allocated to independent BOT projects than is currently planned.

*Capital Sources Transport Investment Plan 2007-2020*

<i>No.</i>	<i>Capital source</i>	<i>Investment (US\$ millions)</i>
1	ODA	62,736
2	State Budget (included State Bond)	2,769
3	BOT, FDI, State-Corporations	7,301
4	TOTAL	72,806

Source: Ministry of Planning and Investment

As is common with various industry masterplans, there may be significant differences between what is planned and what is implemented. It is likely that the final project scopes and sources of financing will be adjusted over the course of the decade. The list of projects and investment capital required for each are outlined in the table below, followed by a detailed description of several of the key projects. (Note: Some totals not complete because amounts have not yet been allocated to specific projects.)

*Planned Road and Rail Transport Projects to 2020 unit: US\$ million*

<i>Project Name</i>	<i>Location</i>	<i>Length</i>	<i>Planned Investment Capital</i>	<i>FDI</i>	<i>Corporations</i>	<i>BOT</i>	<i>ODA</i>	<i>State Bond</i>	<i>State Budget</i>
<b>Total</b>			<b>72,806</b>	<b>2,778</b>	<b>405</b>	<b>4,118</b>	<b>62,736</b>	<b>1,359</b>	<b>1,410</b>
<b>Land Road</b>			25,584	425	379	3,118	19,161	1,359	1,142
<b>I North-South Expressway (Highway 1) of which:</b>									
A) Cau Gie - Ninh Binh	Ha Tay Ninh Binh	50km	441		379				62
B) Sai Gon - Long Thanh - Dau Giay	HCMC Dong Nai	55 km; 6-8 lanes	1,180			1,180			
C) Ninh Binh - Thanh Hoa		60km	529				529		
D) Thanh Hoa - Vinh		138km	1,217				1,217		
E) Hue - Da Nang		105km	926				926		
F) Nha Trang - Dau Giay		479km	4,225				4,225		
G) Da Nang - Quang Ngai		125km	1,103				1,103		
H) Other Provincial routes	Other provinces	759km	6,831				6,831		
II Sai Gon - Trung Luong Expressway	HCMC Tien Giang	45km	600						600
III Trung Luong - My Thuan - Can Tho	Tien Giang Can Tho	82km; 4-6 lanes	1,000			1,000			
<b>IV Northern "2 Corridors - 1 Belt" project</b>	Northern Provinces								
A) Ha Noi - Lao Cai Land Expressway	Ha Noi Lao Cai	264	653				150		163
B) Ha Noi - Hai Phong Land Expressway	Ha Noi Hai Phong	100km	938			938			
C) Ha Noi - Lang Son Expressway	Bac Ninh Lang Son	140km; 6 lanes	1,400				1,400		
D) Ha Long - Mong Cai Expressway	Ha Long City Mong Cai Town	170km; 4-6 lanes	425						
V Dau Giay - Da Lat Expressway	Dong Nai Lam Dong	230 Km; 4 lanes	1,000				1,000		
VI Ho Chi Minh Highway	Cao Bang Ca Mau	3167km	2,546				888	1,359	317
<b>VII Major bridges in HCM Highway</b>							552		
A) Vam Cong Bridge	An Giang	2074 m bridge;	316				316		
B) Cao Lanh Bridge	Dong Thap	16,47 km roads at 02 bridgeheads 6km road at bridgehead	236				236		
<b>Railway</b>									
<b>I North - South Express Railway</b>	Ha Noi Binh Duong	1,630km	44,020 33,000			1,000	43,000 33,000		20
<b>II Northern "2 Corridors - 1 Belt" Rail project of which:</b>	Northern Provinces								20
A) Ha Noi - Lao Cai Railway	Ha Noi Lao Cai	Upgrading 280 km	160				140		20
B) Hai Phong - Ha Noi - Lao Cai Express Railway	Lao Cai, Ha Noi, Hai Phong	398 km; size 1423mm	9,760				9,760		
C) Upgrading Ha Noi - Lang Son Railway	Ha Noi Lang Son	Upgrading 165km	100				100		
III Dak Nong - Thi Vai - Phu My	Dak Nong Ba Ria - Vung Tau	306km; size 1m	1,000			1,000			

## 6.4 Key Road Projects

### *North-South Highway*

The MoT and Asian Development Bank (ADB) are preparing a masterplan and pre-feasibility study for construction of a North-South Highway linking Hanoi and Ho Chi Minh City. The project will consist of a series of projects along the route, totaling nearly 1,800 km. The project includes the Saigon - Long Thanh - Dau Giay Highway project, for which ADB is also providing technical assistance. Most sections of the route are still in the planning stages, but preliminary plans have been developed for the road sections below.

#### a) Saigon - Long Thanh - Dau Giay Highway

The Saigon - Dau Giay highway will open important road links between industrial zones near HCMC and the container port complex at Cai Mep - Thi Vai. The project is also significant because the government is assessing competing bids for the project - one from Vietnam Expressway Corporation and one from the BIDV consortium. The VEC bid relies on traditional means of financing, i.e. State budget, bonds and ODA, while the BIDV bid is based on a BOT structure. The VEC proposal is summarized below.

Route: HCMC (Thu Thiem) to Dong Nai (Dau Giay). Includes construction of Long Thanh bridge.

Length: 55 km, 6-8 lanes

Start Date: 2008

Proposed Investor: Vietnam Expressway Corporation (VEC)

Investment: \$1.18 billion

Financing: ADB - 53 per cent. Japanese ODA and State Budget - 40 per cent. VEC

Construction Bonds: 7 per cent.

BIDV entered the picture in early 2007, calling for the project to be a 100 per cent. BOT investment with BIDV and equity partners arranging financing. BIDV has argued that it will generate a faster return (15 years versus 25 years for the VEC project), will not require State funds, and will not add to the government's debt. (Although as a State-owned bank partnering with leading State-owned firms presumably some State funds are involved). The Prime Minister is reportedly leaning towards the BIDV proposal with a final decision expected before the end of April.

#### b) Ha Tay - Ninh Binh Project

Vietnam Expressway Corporation has started construction of a 50 kilometer section of the route from Ha Tay Province to Ninh Binh Province. About \$24 million has been spent for initial stages of the project and VEC has now requested government approval to issue an additional \$160 million in bonds for completion of the project.

Route: Ha Tay - Ninh Binh Province

Length: 50 km

Start Date: Phase I 2005. Phase II 2007

Proposed Investor: Vietnam Expressway Corporation (VEC)

Investment: \$441 million

Financing: VEC bonds

#### c) Remaining Sections of the Route

The MoT and MPI are in discussions with the Japanese government for ODA funds for priority sections of the North-South route. The MPI has requested technical assistance and eventual ODA funding for the key road section below. On top of this, the MPI envisions an additional \$6.8 billion spent on unspecified 760 km of feeder roads in other provinces.

*North - South Highway Planned Routes Unit: US\$ million*

<i>Project name</i>	<i>Length (km)</i>	<i>Planned Investment capital</i>	<i>Capital Source</i>
Ninh Binh - Thanh Hoa	60	529	100% ODA
Thanh Hoa - Vinh	138	1,217	100% ODA
Hue - Da Nang	105	926	100% ODA
Nha Trang - Dau Giay	479	4,225	100% ODA
Da Nang - Quang Ngai	125	1,103	100% ODA
Total	907 km	\$8 billion	

*“Two Corridors - One Economic Belt Project” - Northern Vietnam Road Routes*

In northern Vietnam, the largest road projects are part of a “Two Corridors, One Economic Belt” project linking Hanoi and Haiphong with the two main border crossings with China. Most of the projects are still in the planning stages with VEC currently slated to be the main investor in the projects, with the exception of a BOT project led by BIDV and Vietcombank for the Hanoi -Haiphong route. In addition, the Ministry of Transport and China’s Ministry of Communications have issued statements indicating China will provide technical assistance for some of the projects although it is not yet clear whether Chinese firms will invest in the projects or whether China will provide ODA funding. Preliminary plans for these road projects are summarized below.

- a) Noi Bai - Lao Cai Route  
Route: Noi Bai - Lao Cai (China border). Route via Noi Bai - Viet Tri - Yen Bai - Lao Cai  
Length: 265 km  
Project Start: 2007  
Completion: 2010  
Proposed investor: Vietnam Expressway Corporation  
Investment: \$653 million  
Financing: ADB loan 75% (\$ 490 million - Preferential loan \$150 million; OCR \$340 million)  
State Budget: \$100 million. Vietnam Expressway Corp State-Guaranteed Bonds: \$63 million
- b) Hanoi - Haiphong Expressway  
Route: Thanh Tri Bridge (Hanoi) - Lach Huyen/Chua Ve (Haiphong)  
Length: 100 km. 6 lanes.  
Project Start: 2008  
Completion:  
Proposed Investor: BIDV and Vietcombank.  
Investment: \$940 million  
Financing: BIDV and Vietcombank. BOT structure.
- c) Ha Noi - Lang Son Expressway  
Project is still in preliminary planning stages.  
Route: Hanoi - Lang Son (China border)  
Length: 140 km. 6 lanes.  
Project Start: After 2010  
Proposed Investor: n/a  
Investment: \$1.4 billion  
Financing: ODA (including some financing from China for Bac Ninh - Dong Dang route)
- d) Halong - Mong Cai Expressway  
Route: Halong City - Mong Cai border crossing.  
Length: 170 km, 4 lanes.  
Project Start: 2008  
Project Investor: n/a  
Investment: \$425 million  
Financing: FDI or ODA, possibly from China.

### *Mekong Delta Projects*

Several projects are planned to improve road networks in the Mekong Delta.

a) Saigon - Trung Luong Expressway

The MoT has completed initial construction of a highway from Saigon's Binh Chanh district to the Mekong Delta province of Tien Giang. The MoT and government are now considering increasing the investment capital from \$406 million to \$600 million and changing the investment structure to sell toll concessions along the highway.

Route: HCMC - Tien Giang

Length: 45 km

Project Start: 2005-2009

Project Investor: Ministry of Transportation

Investment: \$406 million, approximately 50 per cent. disbursed. Planned new investment capital \$200 million.

Financing: State budget, toll concession sales

b) Tien Giang - Cantho Expressway

Project still in the planning stages but likely to be built as a 100% BOT project.

Planned investor: VEC and/or BOT investors.

Route: Tien Giang - Cantho city. After 2020 project may involve construction of a second bridge to Cantho.

Length: 82 km - 4-6 lanes.

Project Start: 2008

Investment: \$1 billion, stage one investment \$745 million

Financing: 100 per cent. BOT

## 6.5 **Rail**

Vietnam has a total of 2,600 km of rail lines linking major population centers. There has been virtually no investment to upgrade existing lines or to build new routes over the past thirty years. Trains have a maximum speed of 70 km/hour but frequently have to slow to under 30 km/hour when crossing any of the 1,800 antiquated bridges along the network. There are no subway or elevated rail lines in main urban centers of Hanoi and HCMC. State-owned Vietnam Railways Corporation operates all the tracks and rolling stock in Vietnam.

The MPI and Ministry of Transport have developed numerous plans to invest in new national and municipal rail projects from 2007-2020. Most of these projects will depend upon ODA loans from the ADB, World Bank and bilateral donors (mostly Japan) to complete. One BOT rail project has been proposed.

### *North-South Express Railway*

The largest rail project planned is a \$33 billion high-speed railway between Hanoi and Binh Duong province near HCMC. The project will rely upon Japanese ODA and participation of Japanese engineering and construction firms. The local partner in the project is Vietnam Railway Corporation. Preliminary agreements have been signed between the Vietnamese and Japanese governments for the project, although detailed plans for routing have not been finalized.

Route: Ngoc Hoi (Hanoi) - An Binh (Binh Duong Province)

Length: 1,630 km

Specifications: Track size 1.435 meters. Maximum speed 350 km/h. Parallel track.

Investor: Vietnam Railway Corporation

Investment: \$33 billion

Financing: 70 per cent. from ODA. Majority of ODA from Japan, with co-sponsorship by World Bank and ADB. 30 per cent. from loans or "other investment sources."

Project Start: Feasibility study started in April 2007, six years to complete construction.

### *"Two Corridors - One Economic Belt Project" - Northern Vietnam Rail Routes*

Rail projects are planned in conjunction with the road routes for the "Two Corridors - One Economic Belt" transport project for northern Vietnam. The project closest to development is a 280 km rail link from Hanoi to Lao Cai border. Financing for the \$160 million project is coming from the ADB (\$60 million), French ODA (\$80 million - approval pending), and the State budget (\$20 million). Construction is scheduled for 2007-2010.



The MPI has slated some \$9 billion for additional rail investments for northern provinces, primarily rail links between Hanoi - Lang Son and Haiphong - Lao Cai. These projects are in the earliest planning stages, with no confirmed investors (other than Vietnam Railways Corp serving as local investor), and no financing sources confirmed. The MPI has indicated it will be looking to China for ODA and cooperation in building these Vietnam - China rail links.

#### *Dak Nong - Thi Vai - Phu My Railway*

The sole BOT rail project under consideration is a 360 km rail link from bauxite mines in the central highlands to the port complex at Cai Mep - Thi Vai. Operators at the Dak Nong mines have proposed building a \$1 billion rail line with track gauge of 1,000mm to enable delivery of bauxite for processing and/or export at the port near Vung Tau. The line may connect to a proposed Trans-Asia railway project running from China to Vietnam's south through to the Cambodia border.

#### *Metro Rail Projects*

In HCMC, the local government has approved a plan for the city's first metro rail line. The 19.7 km combined subway and elevated rail line is to run from Ben Thanh Market in the city center to Suoi Tien park in Thu Duc to the city's east. Total project cost is estimated at \$1.1 billion, with \$904 million funded by Japanese ODA and the city government contributing \$186.6 million. Japan's Sumitomo is reportedly interested in building the line on a BOT basis.

The city has also been in talks with Siemens AG and the German government for construction of two subway routes running 20 km.

In Hanoi, some ten different plans have been submitted by domestic ministries and foreign partners for development of elevated rail or subway networks. The city masterplan calls for eight urban railway lines by 2020 with a total length of 229 kilometers and a combined investment capital of \$11.7 billion.

City authorities are said to be preparing land clearance work for the construction of the first subway line. According to the project's management board, French ODA will contribute \$643 million, 50 per cent. of the project's total capital, with the remainder raised via bonds. The 12.5 km subway system, including 9.6 km of elevated rails and 2.9 km underground, will start from Hanoi Central Railway Station and end in Tu Liem District.

Four of the projects in Hanoi involve some form of cooperation between Hanoi authorities and Japanese donor agencies (JBIC and Japan International Cooperation Agency). The most recent is a memorandum of understanding between JICA and the Hanoi People's Committee to conduct feasibility studies for a 15.2 km subway. This subway would run from Thang Long in the suburban district of Tu Liem to Thanh Xuan District. Japanese ODA would finance 85 per cent. of the \$1.4 billion project. A second, JICA backed project calls for a \$2 billion, 30 km railway linking Noi Bai airport, Van Tri new urban area, Ciputra urban township, Thong Nhat Park and Ha Dong town.

## **6.6 Airports**

Vietnam has three international airports in Hanoi, Ho Chi Minh City and Danang and 18 domestic airports. Passenger traffic has increased by an average of 20 per cent. per annum from 1999 to 2005. Vietnam's Civil Aviation Authority of Vietnam (CAAV) expects the aviation market to grow by 12-14 per cent. from 2007-2010, 9-11 per cent. from 2010-2015 and 10-12 per cent. from 2015-2020.

Ho Chi Minh City's Tan Son Nhat Airport served approximately 8.2 million passengers out of the total of 15 million passengers at Vietnam's airports in 2006. The Japanese are building a \$200 million international terminal at Tan Son Nhat Airport scheduled for completion in late 2007. The new terminal will cover 100,000 square meters and have a capacity of 10 million international passengers per year. The current terminal will be converted to serve domestic passengers only, bringing total passenger capacity at Tan Son Nhat to 18 million passengers per year.

Over the next decade CAAV intends to convert existing airports at Cat Bi Island, Chu Lai, Phu Quoc Island, and Cam Ranh from domestic to international airports. The most significant new airport project under consideration the \$8 billion, Long Thanh International Airport in Dong Nai Province, 50 km to the northeast of Ho Chi Minh City. The airport is slated to become a new international airport, eventually replacing international traffic at Tan Son Nhat Airport. The Prime

Minister has indicated that the project may be opened to foreign investors, built as a BOT or BOO.

The airport is to be built in two phases, with the \$3 billion Phase I having design capacity of 20 million passengers per year, with a passenger terminal and two runways. When Phase II is complete, the airport will have four runways 4,000 meters in length and 60 meters wide, capable of accomodating heavy long-haul planes, including the Airbus A380. Total capacity will be 80 to 100 million passengers and 5 million tonnes of cargo per year.

In early 2007, the CAAV issued tenders for international consultants to develop a masterplan for the Long Thanh Airport. Based on current scheduling, construction of Phase I is likely to start by 2009 or 2010 at the earliest.

While the government seems committed to moving forward with the Long Thanh Airport, there are questions about the necessity and viability of building an 80-100 million passenger airport 50 km from HCMC, when current domestic and international passenger throughputs at the existing Tan Son Nhat Airport are just 8 million. Some industry observers believe a more cost-effective solution to expanding capacity would be to upgrade the existing domestic terminal at Tan Son Nhat. If additional runway space is necessary, the airport should be converted from its current role as a dual-use facility for civil and military planes to become solely a civil airport. Preliminary estimates suggest that renovating the domestic terminal would cost in the range of \$440 million and increase total capacity to 25 million passengers per year.

## PART 7

### TAXATION

The information below, which relates only to Cayman Islands, Vietnamese, United Kingdom, United States and Swiss taxation, is applicable to the Company and to persons who are resident, ordinarily resident or carrying on a trade in those jurisdictions (except where indicated) and who hold Ordinary Shares as investments. It is based on existing law and practice and is subject to subsequent changes therein. If you are in any doubt as to your tax position or require more detailed information than the general outline below, you should consult your own professional adviser without delay.

#### **Cayman Islands**

The government of the Cayman Islands, will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or the Shareholders. The Cayman Islands are not party to any double taxation treaties. The Company has applied for and has received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares, debentures or other obligations of the Company or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the Company to its members or a payment of principal or interest or other sums due under a debenture or other obligation of the Company. Currently no stamp duty will be levied in the Cayman Islands on the issue or transfer of the Ordinary Shares. The only government charge payable by the Company in the Cayman Islands is an annual charge to be calculated on the nominal value of the authorised share capital of the Company. At current rates, this will not exceed \$2,400 in any one year.

#### **Vietnam**

##### ***Tax position of the Company***

Foreign companies conducting business activities through a permanent establishment in Vietnam will be subject to Vietnam tax. A permanent establishment is defined as a business establishment through which a foreign company carries out part or the whole of its business activities in Vietnam and earns income.

##### ***Dividend***

The Company will not be subject to any additional Corporate Income Tax ("CIT") in Vietnam on dividends it receives from the after-tax profits of Vietnamese companies. No remittance tax is imposed on profit paid abroad by a foreign investor.

##### ***Interest***

Interest income from bonds is subject to 0.1 per cent. deemed CIT at the time of receipt of the interest except in the case of tax exempt bonds. Tax on interest is calculated based on the total value of bonds including the face value of the bonds and the amount of interest actually received.

Interest the Company receives on any loans made to a Vietnamese borrower is subject to a 10 per cent. withholding tax.

##### ***Capital assignment profit tax ("CAPT")***

Vietnam does not have a separate capital gains tax, but has a CAPT which applies to the transfer of an interest in a Vietnamese entity by a foreign investor. At present, there are no detailed regulations in relation to CAPT. However, based on the predecessor regulations, the taxable gain is determined as the sales proceeds less cost (which is the initial value of contributed legal capital, for an initial investor, or the amount paid for the interest, for subsequent acquirers of an interest) less transfer expenses.

The acquirer is required to withhold the CAPT from the payment to the vendor, and account for this to the tax authorities. The applicable tax rate is 28 per cent.

If capital is assigned to a company established under Vietnamese laws, a 50 per cent. reduction of the tax payable will be granted.

If the vendor is a tax resident of a country that has entered into a double tax treaty with Vietnam, it may be possible to avoid CAPT (subject to certain conditions). To be entitled to the exemption, a separate application for exemption is required. Vietnam has entered into double tax treaties with more than 40 countries.

The CIT regulations are being revised with certain changes expected to the current CAPT rules. The revised regulations are yet to be finalised and are still in draft form at the moment.

### ***Sales of securities in a joint stock company (“JSC”)***

#### ***Valued Added Tax (“VAT”)***

The sale of securities by the Company in a JSC would be VAT exempt.

#### ***CIT***

Foreign investment funds only opening an account in Vietnam but not being present in Vietnam, which are engaged in investment in securities shall pay CIT on a deemed basis when selling securities in a JSC.

The CIT payable shall be equal to 0.1 per cent. of the total value of shares sold in each assignment transaction.

Offshore non-individual holders of Vietnam bonds are subject to 0.1 per cent. deemed CIT calculated on the bond's face value plus interest at maturity. On assignment of the bonds, the 0.1 per cent. tax is applied based on the assignment value.

If the securities are listed on the Vietnam stock exchange, the securities company is responsible for withholding the tax liability. If the securities are unlisted, if a securities company is authorised to manage the company registrar, the securities company is responsible for withholding the tax liability in the same manner as for listed securities. If the company registrar is not managed by a securities company, it is the responsibility of the custodian bank with which the foreign investor has an account to withhold the tax liability.

### ***Tax position of Vietnam Resident Shareholders***

#### ***CIT***

Corporate Shareholders will be subject to CIT on income received from the Company and gains arising on the sale of the Company's Shares.

#### ***Personal income tax (“PIT”)***

Individual Shareholders are temporarily exempt from PIT on dividend income and gains arising on the sale of the Company's Shares.

## **United Kingdom**

### ***The Company***

The Company intends to conduct its affairs so that, for United Kingdom corporation tax purposes, it will not be regarded as resident within the United Kingdom nor as carrying on a trade through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United Kingdom source income the Company will have no liability in respect of United Kingdom corporation tax on its income or capital gains.

### ***United Kingdom Resident Investors***

Shareholders who are resident in the United Kingdom may be liable to United Kingdom income tax or corporation tax in respect of dividend income received from the Company and to United Kingdom capital gains tax or corporation tax on chargeable gains in respect of capital gains realised on a disposal of Ordinary Shares.

#### **(a) *Taxation of dividends***

A distribution by the Company with respect to the Ordinary Shares in the form of a dividend may give rise to income chargeable in the United Kingdom to either income tax or corporation tax on income. In the case of a dividend, individuals domiciled and ordinarily resident for tax purposes in the United Kingdom who are liable to income tax at the starting or basic rate will be taxed at the ordinary rate (10 per cent.) under Schedule D Case V of the Income and. An

individual who is a higher rate tax payer will be chargeable to tax at the upper rate (32.5 per cent.). Non-taxpayers will have no liability to income tax. United Kingdom resident corporate shareholders will normally be liable for corporation tax on any dividends paid by the Company. No withholding tax will be deducted from dividends paid by the Company.

(b) *Taxation of capital gains*

The Company will not be a collective investment scheme for the purposes of the United Kingdom offshore funds legislation. Accordingly, any gain realised by a United Kingdom resident holder of Ordinary Shares or a holder of Ordinary Shares who carries on a trade in the United Kingdom through a permanent establishment with which their investment in the Company is connected on a sale or other disposal (including from liquidation or dissolution of the Company) of their Ordinary Shares may, depending on their circumstances and subject as mentioned below, be subject to United Kingdom capital gains tax or corporation tax on chargeable gains. The amount of the gain will be the difference between the acquisition cost of the Ordinary Shares and the disposal proceeds.

On a disposal of Ordinary Shares by an individual investor who is resident or ordinarily resident in the United Kingdom for tax purposes, the Ordinary Shares may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Ordinary Shares have been held. An investor which is a body corporate resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the Retail Prices Index.

***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Ordinary Shares executed outside of the United Kingdom.

***Transfer of Assets Abroad***

Individual investors ordinarily resident in the UK for tax purposes should note that Chapter II of Part XIII of the Income Tax Act 2007 may render them liable to income tax in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad. However, these provisions will not apply if the investor can satisfy the HM Revenue and Customs that either:

- (1) the purpose of avoiding liability to United Kingdom taxation was not the purpose or one of the purposes of his investment in the Company; or
- (2) the investment was a *bona fide* commercial transaction and was not designed for the purpose of avoiding United Kingdom taxation.

***Controlled Foreign Companies Legislation***

The attention of companies resident in the United Kingdom is drawn to the fact that the “controlled foreign companies” provisions contained in Sections 747 to 756 of the Income and Corporation Taxes Act 1988 could be material to any company so resident that has an interest in the Company such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, if at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes. The effect of such provisions could be to render such companies liable to United Kingdom corporation tax in respect of their share of the undistributed income and profits of the Company.

***Section 13 Taxation of Chargeable Gains Act 1992 (“TCGA”)***

The attention of United Kingdom investors resident or ordinarily resident and, if an individual, domiciled in the United Kingdom is drawn to the provisions of Section 13 TCGA under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares. The capital gains attributed to the investor may (in certain circumstances) be liable to United Kingdom tax on capital gains in the hands of the investor.

## Material United States Federal Income Tax Considerations

### *General*

This discussion is based upon United States federal income tax laws as in effect on the date of this document, including the Internal Revenue Code of 1986, as amended (“the Code”), administrative pronouncements, judicial decisions, and existing and proposed Treasury regulations, all of which are subject to change, possibly with retroactive effect. This discussion is primarily directed to prospective investors who would be United States holders, including citizens or residents of the United States; corporations, partnerships, or other entities created or organized in or under the laws of the United States or any political subdivision thereof, and estates or trusts, the income of which is subject to United States federal income tax regardless of source. A “resident” of the United States includes an individual that (i) is lawfully admitted for permanent residence in the United States, (ii) is present in the United States for 183 days or more during a calendar year; or (iii) (a) is present in the United States for 31 days or more during a calendar year, (b) is present in the United States for an aggregate of 183 days or more, on a weighted basis, over a 3-year period ending in such calendar year, and (c) does not have a closer connection to a “tax home” that is located outside the United States.

This summary does not discuss aspects of United States taxation other than United States federal income taxation, and does not address all aspects of United States federal income taxation that may apply to holders who are subject to special rules under the Code, including, without limitation, rules that apply to financial institutions, broker dealers, investors that would own their Ordinary Shares through a partnership or other entity treated as a partnership for United States federal income tax purposes, certain United States expatriates, and insurance companies. In addition, the tax consequences described here do not address any state, local, estate or foreign tax consequences of an investment in the Company. Prospective investors should consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares, including the effect of any state or local tax laws or the laws of any jurisdiction other than the United States. It is particularly important for investors who are United States holders to consult their own tax advisers as to the application of the rules summarized below with respect to passive foreign investment companies.

**UNITED STATES TREASURY REGULATIONS REQUIRE US TO DISCLOSE THE FOLLOWING: (1) NOTHING INCLUDED IN THIS DISCUSSION WAS INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING TAX PENALTIES; (2) THIS DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF ORDINARY SHARES; AND (3) PROSPECTIVE INVESTORS SHOULD SEEK TAX ADVICE BASED ON THEIR OWN PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

### *The Company*

The Ordinary Shares will be properly characterized as equity interests in (as opposed to indebtedness of) the Company, and the Company will so characterize all Ordinary Shares for all United States federal income tax purposes. This characterization by the Company will be binding on every holder, unless the holder discloses its inconsistent characterization on such holder’s United States federal income tax return. The United States Internal Revenue Service (the “Service”) will not be bound by the characterization of the Ordinary Shares by the Company or the holders.

The Company will be classified as a “corporation” for all United States federal income tax purposes. The Company intends to conduct its affairs so that, for United States federal income tax purposes, it will not be engaged in a trade or business within the United States. So long as the Company is not so engaged, it will not be subject to United States federal income tax, apart from certain withholding taxes, and the Company does not intend to invest in securities that would produce income subject to the United States federal withholding tax.

Notwithstanding that the Placing price for Ordinary Shares and the determination of Net Asset Value will be in US dollars, because the Company plans to maintain a substantial portion of its investment portfolio in Vietnamese Dong denominated securities, incur significant Vietnamese Dong denominated expenses, and maintain its books and records in Vietnamese Dong, and although the matter is not free from doubt, it is the view of the United States counsel to the Company that the functional currency of the Company for United States federal income tax purposes will be the Vietnamese Dong. The Company intends to report as a Vietnamese Dong functional currency taxpayer to the extent relevant for United States federal income tax purposes.

## ***Investors – United States Holders***

Special rules apply to an investment by a United States holder in a corporation that is a passive foreign investment company (“PFIC”) or a controlled foreign corporation (“CFC”) under the Code. See the discussion below, under the headings “Passive Foreign Investment Company Rules” and “Controlled Foreign Corporation Rules,” for the consequences to a United States holder if the Company is a passive foreign investment company or a controlled foreign corporation.

### **(a) *General taxation of dividends and capital gains***

If the Company is not a PFIC or a CFC, then United States holders of Ordinary Shares generally will be required to include dividends on Ordinary Shares in their United States federal taxable gross income only in the year such dividends are paid. Dividends paid in Euros, or any currency other than the US dollar, will be translated into US dollars at the spot rate on the date the dividends are paid to a United States holder, regardless of whether the dividends are in fact converted on that date. A distribution by the Company with respect to the Ordinary Shares, including a pro rata redemption of Ordinary Shares, will be treated first as a dividend to the extent of the current or accumulated earnings and profits of the Company as determined under the United States federal income tax principles, then as a tax-free return of basis in the Ordinary Shares, with the balance of the distribution, if any, treated as a gain realized by the United States holder from the sale or disposition of the Ordinary Shares.

Dividends from the Company will not be “qualified dividends” eligible for the special reduced 15 per cent. rate of tax currently applicable to dividends received by non-corporate stockholders in United States corporations and certain “qualified foreign corporations.” Instead, dividends from the Company will be taxable to United States holders at ordinary graduated income tax rates, currently a maximum of 35 per cent. The dividends paid by the Company will not be eligible for the dividends received deduction otherwise allowed to corporations under the Code. For purposes of the United States foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source “passive income” (or, in the case of a holder who is a “financial services entity” as defined in regulations under the Code, “financial services income”). All non-corporate United States holders, and all United States holders that are corporations and which own less than 10 per cent. of the voting stock of the Company, will not be entitled to claim a foreign tax credit for any taxes paid by the Company.

Gain or loss realized by a United States holder on the sale or other disposition of an Ordinary Share (including upon liquidation or dissolution of the Company or as a result of non-pro rata redemption of Ordinary Shares) will be subject to United States federal income tax, as a capital gain or loss, in an amount equal to the difference between such United States holder’s adjusted tax basis in the Ordinary Share and the amount realized on its disposition. The United States holder’s adjusted tax basis in an Ordinary Share will generally be equal to the US dollar cost of acquiring the Ordinary Share reduced (but not below zero) by the US dollar value of any distribution that is treated as a tax-free return of basis.

Any capital gain or loss recognized upon the sale or other disposition of an Ordinary Share will be either short-term or, if held for more than one year, long-term. For non-corporate United States holders, the United States income tax rate applicable to the net long-term capital gain recognized for a year currently will not exceed 15 per cent. The deductibility of a capital loss is subject to limitations. For purposes of the United States foreign tax credit limitation, a gain realized on the disposition of an Ordinary Share will be United States source gain. There is a substantial risk, however, that a loss will be allocated against foreign source income by reference to the source of income received under the Ordinary Share.

### **(b) *Passive Foreign Investment Company Rules***

Special United States federal income tax rules apply to holders of equity interests in a “passive foreign investment company” (“PFIC”). The Company will constitute a PFIC for United States federal income tax purposes if 75 per cent. or more of its gross income were to consist of passive income, or 50 per cent. or more of its average assets were to consist of passive assets, during any taxable year. Passive assets generally are defined as assets that give rise, or that reasonably could give rise during the reasonably foreseeable future, to passive income. Passive income includes (i) dividends, including dividends on stock held in an investee entity in which the Company directly or indirectly owns less than 25 per cent. of its value; (ii) interest, including interest on loans to an investee entity; (iii) rents and royalties not derived in the active conduct of a trade or business; (iv) net gains from the sale of property that generates passive income; and (v) the Company’s pro rata share of the passive income of a corporation of which the

Company directly or indirectly owns 25 per cent. or more of its value. Cash and assets readily convertible into cash, bonds, and holdings of less than 25 per cent. of the stock in corporations, generally are all considered passive assets. However, gain from the sale of land used in the active conduct of a trade or business at the time of the sale is not passive income.

The Company believes that it is likely to be a PFIC for United States federal tax purposes.

#### *Taxable United States holders*

If the Company is or becomes a PFIC, then unless a United States holder makes one of the special elections described below, such holder generally will be subject to a penalty tax when it disposes of an Ordinary Share or receives certain large dividends from the Company. Generally, the penalty tax is equivalent to United States federal income tax at the highest ordinary income tax rates in effect for each year the United States holder holds Ordinary Shares, plus an interest charge on taxes that are deemed due during that same period of ownership.

More specifically, a United States holder who does not make either a qualified electing fund (“QEF”) election or a mark-to-market election (each as described below) will be required to allocate to each day in its holding period with respect to the Ordinary Shares a pro rata portion of any “excess distribution” received, or deemed received under certain attribution rules, from the Company. Generally, an excess distribution is any distribution (including the portion of the proceeds from a redemption of Ordinary Shares that is treated as a dividend) from the Company that exceeds 125 per cent. of the average annual amount distributed (as measured in the currency of such distribution) by the Company during the three preceding years (or such shorter period as the United States holder may have held the Ordinary Shares). In addition, the full amount of any gain recognized on a disposition or deemed disposition of Ordinary Shares in the Company will be treated as an excess distribution. The excess distribution amount is allocated ratably over the United States holder’s entire holding period. The amount allocated to the current taxable year is taxed as ordinary income. Any amount of the excess distribution allocable to a prior taxable year will be subject to a deferred United States federal income tax charge, calculated as the sum of the amount of tax imposed on the allocable excess distribution at the highest applicable rate in effect for each year plus the accumulated interest on the determined amount of tax. Given the Company’s distribution and investment policies, there is a substantial risk that a United States holder will receive an amount treated as an excess distribution with respect to the Ordinary Shares if the Company is or becomes a PFIC.

A United States holder must file Internal Revenue Service Form 8621 for each taxable year in which the United States holder owns Ordinary Shares and for which the Company is a PFIC. Because the Company is a newly formed company and has no operating history, it cannot be concluded that it will not be a PFIC in any year.

The potential adverse tax consequences of these PFIC rules may be mitigated if a United States holder could make, and so made, a QEF election or a mark-to-market election.

#### *QEF Election*

If a United States holder makes a QEF election, and if the Company is or becomes a PFIC and the Company complies with certain reporting requirements, the United States holder will be required to include in its annual gross income its pro rata portion of the Company’s ordinary income (including net foreign currency gains in excess of losses) and net realized capital gains, whether or not such amounts are distributed to the United States holder. Such amounts will be calculated in units of Euros translated into US dollars at the average exchange rate for such taxable year of the Company.

In the event that any undistributed amounts previously taken into income by an electing holder are subsequently distributed by the Company, such subsequent distribution would not be taken into income in such subsequent taxable year (except as discussed below) and would not be subject to a deferred United States federal income tax charge. However, the difference between the US dollar value of that subsequent distribution and the US dollar value of the attributable earnings previously included in the United States holder’s income will be treated as foreign source ordinary income or loss, as appropriate, that will be taken into account by the holder in the year of receipt of the distribution. There can be no assurance that the Company will distribute an amount for a year equal to a United States holder’s annual inclusion amount if the Company is or becomes a PFIC and a QEF election with respect to the Company is made by the holder.



Some of the investee entities may be characterized, for United States federal income tax purposes, as partnerships rather than as corporations. With respect to any investee entity that is characterized as a partnership, the Company will recognize, for United States federal income tax purposes, its pro rata share of such entity's profit or loss, regardless of whether that entity makes actual distributions to the Company. To the extent that such profit exceeds actual distributions, the Company will be considered to earn for United States federal income tax purposes an amount greater than the amount distributed to it by the investee entity. To the extent that an investee entity incurs a loss, the Company would recognize its distributive Ordinary Share of such loss for United States federal income tax purposes. These computations will directly affect the amount of income recognized by a United States holder that has made a QEF election. Additionally, for the purpose of the PFIC rules, under certain circumstances, Ordinary Shares held by a "non-United States holder" may be attributed to a United States holder owning an interest, directly or indirectly, in that non-United States holder. In such event, dividends and other transactions in respect of the Ordinary Shares held by the non-United States holder would be attributed to such United States holder for purpose of applying the above PFIC rules.

#### *Mark-to-Market Election*

Although the Company is not currently registered or traded on any exchange or market, the Company anticipates registering with the Alternative Investment Market, or AIM, of the London Stock Exchange. If the Company does register Ordinary Shares to be traded on the AIM market, and for U.S. federal income tax purposes the Ordinary Shares are considered to be "regularly traded on a qualified exchange" then United States holders may be permitted to make a mark-to-market election with regard to their Ordinary Shares. If a United States holder makes a mark-to-market election, and if the Company is or becomes a PFIC, the United States holder will be required to include in its annual gross income the excess of the fair market value of the Ordinary Shares at year-end over such holder's adjusted tax basis in the Ordinary Shares. Such amounts will be taxable to the United States holder as ordinary income, and will increase the holder's tax basis in the Ordinary Shares. If, in any year, a United States holder's tax basis exceeds the fair market value of the Shares at year-end, then the holder generally may take an ordinary loss deduction to the extent of the aggregate amount of ordinary income inclusions for prior years not previously recovered through loss deductions. Any loss deductions taken will reduce the holder's tax basis in the Ordinary Shares. Gain recognized on a disposition of Ordinary Shares with respect to which the holder has made a mark-to-market election is ordinary income, and loss recognized on a disposition is ordinary loss to the extent of previously unrecovered ordinary income inclusions.

Special rules apply to a United States holder who makes a mark-to-market election after the year during which the Ordinary Shares are acquired, unless such holder had previously made a QEF election with respect to its Ordinary Shares.

**If the Company is or becomes a PFIC, and either a QEF election or mark-to-market election is not or cannot be made, an investment in Ordinary Shares by a United States holder would subject the holder to the substantial adverse United States federal income tax consequences described above. Prospective United States holders should consult their own tax advisers regarding the potential application of the current PFIC rules and about the impact of any legislation, proposed or enacted, that could affect the PFIC rules.**

#### *Tax Exempt United States holders*

If the Ordinary Shareholder of a PFIC is an organization exempt from tax under the Code (a "TEO"), the PFIC rules will apply to such Ordinary Shareholder only if the Ordinary Shares held by such organization constitute debt-financed property. Thus, provided that a TEO Ordinary Shareholder does not incur acquisition indebtedness, neither a dividend from the Company nor any gain derived from the disposition of Ordinary Shares will be subject to United States federal income taxation generally or under the PFIC rules.

If the Company is or becomes a PFIC, a TEO Ordinary Shareholder whose Ordinary Shares are debt-financed property will be subject to United States federal income taxation under the PFIC rules. It is unclear, however, whether such a TEO Ordinary Shareholder may choose to make a QEF election with respect to its interest in the Company in such case. If the QEF election is available and is made, the TEO Ordinary Shareholder would be subject to taxation under the QEF rules, which requires the electing Ordinary Shareholder to currently include in gross

income its pro rata Ordinary Share of the Company's ordinary earnings and net capital gain. Although no authority on the point exists, it is likely that some or all of such items would be treated as unrelated business taxable income of a TEO Ordinary Shareholder due to the application of the debt-financed property rules.

#### *Registered Investment Companies*

If the Company is or becomes a PFIC, a registered investment company ("RIC") that owns Ordinary Shares would be taxed at the entity level on the deferred tax amount attributed to excess distributions made by the Company that are not allocable to the current year. Such liability may not be eliminated by means of a corresponding distribution (and dividends paid deduction) by the RIC. Therefore, if the Company is or become a PFIC, there is a risk that RIC Ordinary Shareholders of the Company will have income inclusions attributable to excess distributions with respect to Ordinary Shares. Accordingly, in order to avoid the RIC-level tax, such holders may choose to make a QEF election or mark-to-market election with respect to the Company.

A RIC Ordinary Shareholder that makes a QEF election will be required to take into account its pro rata Ordinary Share of the annual ordinary earnings and net capital gain of the Company in computing the holder's investment company taxable income and net capital gain irrespective of actual distributions made by the Company. By distributing all of its investment company taxable income and net capital gain (inclusive of its pro rata Ordinary Share of ordinary earnings and net capital gain attributable to the Company), the RIC Ordinary Shareholder will not be liable for any federal income tax. In addition, a RIC Ordinary Shareholders' pro rata Ordinary Share of the Company's ordinary earnings and net capital gain will not qualify as dividends for the purpose of the 75 per cent. gross income test as described in Section 851(b)(2) of the Code, to the extent that corresponding distributions are not made by the Company in the same taxable year.

A RIC Ordinary Shareholder may make a mark-to-market election regardless of whether Ordinary Shares are traded on the AIM market or are considered to be "regularly traded on a qualified exchange", if the RIC (a) offers for sale, or has outstanding, shares that the RIC issued and that are redeemable at net asset value, or (b) "publishes net asset valuations at least annually." As for any other United States holder that makes a mark-to-market election, special rules apply to a RIC that makes a mark-to-market election after the year during which its Ordinary Shares are acquired, unless such RIC had previously made a QEF election with respect to its Ordinary Shares.

#### (c) *Controlled Foreign Corporation Rules.*

The Company would be a controlled foreign corporation ("CFC") only if at least 50 per cent. of its stock (by vote or value) is owned by United States holders, each of which owns at least 10 per cent. of the Company's voting stock. If the Company were a CFC, then each United States holder that owns at least 10 per cent. of the Company's stock would be required to report and pay tax annually on its share of the Company's earnings and profits, whether or not the company makes any distributions. Additionally, each United States holder that owns at least 10 per cent. of the Company's stock would be required to treat a portion of any gain recognized on a sale or redemption of Ordinary Shares as a dividend taxable at ordinary income rates. A TEO Ordinary Shareholder that owns at least 10 per cent. of the Company's stock should be taxable on its share of the Company's income each year only if the Ordinary Shares held by such organization constitute debt-financed property. The Company believes that it is unlikely to be or become a CFC. If the Company is or becomes a CFC, it undertakes to make good faith efforts to comply with all accounting, record keeping and reporting requirements necessary for United States holders to comply with their obligations under the CFC rules.

#### *Investors-Non-United States Holders*

Generally a holder of Ordinary Shares other than a United States holder (a "non-United States holder") will not be subject to United States federal income or withholding tax on income derived by the Company, dividends paid to a holder by the Company, or gains realized on the sale of Ordinary Shares, provided that (i) such income items are not effectively connected with the conduct by the non-United States holder of a trade or business within the United States, (ii) the non-United States holder is not or was not present in, or does not have or did not have a permanent establishment in, the United States, (iii) there has not been a present or former connection between the non-United States holder and the United States, including, without limitation, such non-United States holder's status as a citizen

or former citizen thereof or resident or former resident thereof, or (iv) in the case of a gain from the sale or disposition of Ordinary Shares, the non-United States holder is not present in the United States for 183 days or more during the taxable year of the sale or certain other conditions are met.

#### ***United States Backup Withholding Tax***

Generally, dividends paid on Ordinary Shares are not subject to United States backup withholding tax. However, dividends paid on Ordinary Shares held through United States brokers and the proceeds of sales of the Ordinary Shares holders through United States brokers would be subject to the 28 per cent. United States backup withholding requirements if certain information reporting requirements are not satisfied. United States holders can avoid the imposition of backup withholding tax by reporting their taxpayer identification number to their broker or paying agent on Internal Revenue Service Form W-9. Non-United States holders can avoid the imposition of backup withholding tax by providing a duly completed Internal Revenue Service Form W-8BEN to their broker or paying agent. Any amounts withheld under the backup withholding tax rules from a payment to a holder will be allowed as a refund or a credit against such holder's United States federal income tax, provided that the required information is furnished to the Service.

#### ***Other United States Reporting Obligations***

A United States holder that purchases Ordinary Shares from the Company will likely be required to report the transfer to the Service if (a) immediately after the transfer, such United States holder holds (directly, indirectly or by attribution) at least 10 per cent. of the total voting power or total value of the Company or (b) the amount of cash transferred by such United States holder (or any related person) to the Company to purchase the Ordinary Shares during any twelve-month period exceeds \$100,000. Additionally, a United States holder that owns 10 per cent. or more (taking certain attribution rules into account) of the total vote or value of the stock of the Company will likely be required to file an information return with the Service containing certain disclosure concerning the filing shareholder, other United States holders and the Company. The Company has not committed to provide all of the information needed to complete such return. Prospective United States holders are urged to consult their own tax advisers concerning these and any other reporting requirements.

#### ***ERISA Considerations***

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code set forth certain restrictions on (a) employee benefit plans (as defined in section 3(3)) of ERISA), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans, (c) any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (each of (a), (b), and (c) herein after referred to as a "Plan" or "Benefit Plan") and (d) persons who have certain specified relationships to such Plans ("parties in interest" under ERISA and "disqualified persons" under the Code).

ERISA also imposes specific requirements on fiduciaries of Plans subject to ERISA, namely, that they make prudent investments, that they diversify investments, and that they make investments in accordance with Plan documents and in the best interests of participants and their beneficiaries. In addition, assets of a Plan subject to ERISA must at all times comply with the "indicia of ownership" rules set forth in Section 404(b) of ERISA.

Further, a party in interest under ERISA and a disqualified person under the Code are prohibited from engaging in certain transactions with respect to Plans or their assets (a "Prohibited Transaction"). A violation of these Prohibited Transaction rules may result in a breach of fiduciary duty under ERISA and the imposition of an excise tax or other penalties and liabilities under ERISA and/or the Code for such persons. A Prohibited Transaction could occur upon the Placing for, acquisition or holding of Ordinary Shares by a Benefit Plan if the Investment Manager, a co-investor, the Company, a Director, or any of their respective affiliates, were a party in interest or a disqualified person with respect to such Plan. However, both ERISA and the Code provide for certain statutory and administrative exemptions from the Prohibited Transaction rules which could apply in this case. Further, the US Department of Labour has issued a number of class exemptions that may apply to otherwise Prohibited Transactions arising from the acquisition or holding of Ordinary Shares, including: Class Exemption 75-1 (Transactions Involving Employee Benefit Plans and Certain Broker-Dealers, Reporting Dealers and Banks), Class Exemption 84-14 (Transactions Effected by Qualified Professional Asset Managers), Class Exemption 90-1 (Transactions involving Insurance Company Pooled Separate Accounts), Class Exemption 91-38 (Transactions Involving Bank Collective Investment Funds), Class Exemption 95-60 (Transactions Involving Insurance Company General Accounts) and Class Exemption 96-23 (Transactions Effected by In-House Asset Managers). The availability of each of these statutory,

administrative and class exemptions is subject to a number of important conditions which each Benefit Plan's fiduciary must consider in determining whether such exemption applies.

A Plan fiduciary should consider whether a Plan investing in the Ordinary Shares could be deemed to own also an undivided interest in the underlying assets of the Company under relevant US Department of Labor "Plan Asset" regulations. If the assets of the Company are deemed to be assets of such Plan, then any person who (i) exercises authority or control over the management of the Company or the disposition of the Company's assets, (ii) renders investment advice with respect to the Company's assets, or (iii) has any discretionary authority or discretionary responsibility in the administration of the Plan, could be held to be a "fiduciary" under ERISA and the Code, and all of the ERISA and Code fiduciary and Prohibited Transaction rules would apply to the structure and operation of the Company and the investment or other disposition of the Company's assets.

The US department of Labor "Plan Asset" regulations provide, however, that the underlying assets of the Company will not be considered "Plan Assets" if investment by "benefit plan investors" in the Company is less than 25 per cent. of the value of each class of equity interest of the Company. The Directors intend to use commercially reasonable efforts to prevent Benefit Plan Investors from owning 25 per cent. or more of each equity class of interest of the Company. For the purpose of the "Plan assets" rules, a "benefit plan investor" is any of the following: (i) any "employee benefit plan" defined in Section 3(3) of ERISA; (ii) any Plan described in Section 4975(e)(1) of the Code; and (iii) any entity whose underlying assets include Plan Assets by reason of a Plan's investment in the entity. Pursuant to the Pension Protection Act of 2006, the definition of "benefit plan investor" for purposes of the "Plan assets" rules, no longer includes foreign plans, government plans, and certain church plans.

Any purchaser or other transferee of the Ordinary Shares will be required to certify whether or not it is a "benefit plan investor" and whether or not it is subject to ERISA and/or Code Section 4975. The purchase by or transfer of the Ordinary Shares by any Plan will be subject to the consent of the Directors. Fiduciaries of Plans who are considering an investment of Plan assets in the Ordinary Shares should consult with their own counsel regarding compliance with these rules.

Any potential investor considering an investment in shares that is, or is acting on behalf of, a plan (or a governmental plan subject to laws similar to ERISA and/or Section 4975 of the Code) is strongly urged to consult its own legal, tax and ERISA advisers regarding the consequences of such an investment and the ability to make the representations described above.

## **Switzerland**

This summary is based on the tax laws of Switzerland in effect on the date of this document, which are subject to change, possibly with retroactive effect. Prospective investors should consult their own tax advisers as to the Swiss tax law consequences of the purchase, ownership and disposition of Ordinary Shares.

It is particularly important for investors who are in Switzerland to check on the cantonal tax laws of their canton of domicile on which no views are expressed herein.

## ***The Company***

The Directors intend to manage and conduct the affairs of the Company so that for Swiss corporate tax purposes the Company does not become resident within Switzerland for Swiss tax purposes nor will it carry on a trade or a business through a permanent establishment ("*établissement stable*") located in Switzerland. On that basis and on the assumption that it has no Swiss source income the Company will have no liability in respect of either Swiss corporation tax or income tax.

## ***Investors***

### ***Federal legislation***

Stamp tax may, depending on all circumstances, be levied only where one of the contracting parties would be a "securities dealer" in the sense of Article 13, paragraph 3 of the Swiss Federal Act on Stamp Tax of 27 June 1973 as amended. Hence and given the restrictions expressed in this document, stamp tax should not apply in principle.

### ***Taxation of dividends***

Holders of Ordinary Shares who are domiciled or deemed domiciled in Switzerland in the sense of Swiss tax legislation may depending on their personal circumstance be liable to Swiss income/wealth tax or corporate benefit or capital tax in respect of any dividend income received from the Company, whether or not such distributions are re-invested. We would like to draw your attention to the fact that under the Swiss Federal Direct Tax Act, a natural person who stays in Switzerland without any

substantial interruption for 30 days at least while performing a remunerated activity or for 90 days at least when he/she does not perform any remunerated activity is liable to taxation in Switzerland.

A distribution by the Company with respect to Ordinary Shares in the form of a dividend may give rise to income liable in Switzerland to either income or corporate benefits tax.

#### *Cantonal tax*

The cantons may provide for wealth and income tax for natural persons as well as for benefit and capital tax for corporations. Investors are urged to seek information on such cantonal regulations. In general, cantons do not levy any capital gains tax for private persons, hence it is particularly important for investors who are subject to tax in Switzerland to ascertain with their own professional advisers whether they fall or not in the category of “professional” investors in the sense of the relevant cantonal legislation.

#### **Switzerland – EU Savings Taxation Bilateral Agreement**

In accordance with the above agreement, EU citizens may, subject to the conditions set forth by the said agreement, be subject to a withholding savings tax on “interest” as defined in the agreement, to be withheld by the Swiss paying agent.

The above does not purport to provide exhaustive legal advice on the possible tax consequences of the acquisition, transfer or disposal of Ordinary Shares and is to be used as mere guidelines.

#### **Other jurisdictions**

Prospective purchasers of Ordinary Shares that are resident in jurisdictions other than the Cayman Islands, Vietnam, the United States, the United Kingdom and Switzerland should consult their own professional tax advisers as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares. **Any person who is in any doubt as to his tax position should consult his professional advisers.**

## PART 8

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors, whose names appear on page 7 of this document, accept responsibility for all the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company was incorporated with limited liability and registered in the Cayman Islands as an exempted company under the Companies Law on 18 January 2007 with registered number MC-180747 under the name VinaInfrastructure Limited. On 30 January 2007, the Company changed its name to Vietnam Infrastructure Fund Limited and then on 19 March 2007 the Company changed its name to Vietnam Infrastructure Limited.
- 2.2 The Company operates under the Companies Law and regulations made thereunder.
- 2.3 The Company's main activity is that of an investment company. As a closed-end investment company, the Company is not regulated as a mutual fund in the Cayman Islands and is not otherwise subject to regulatory review in its place of incorporation. As a company whose Ordinary Shares are admitted to trading to AIM, the Company will be subject to the AIM Rules for Companies.
- 2.4 The registered office of the Company is at PO Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands (Telephone No. +1 345 949 8066).
- 2.5 The liability of the Shareholders of the Company is limited.
- 2.6 Save for its entry into the material contracts summarised in paragraph 7 of this Part 8 since its incorporation, the Company has not carried on business and, other than the financial information set out in this document, no accounts of the Company have been made up.

#### 3. Share capital

- 3.1 The Company's capital structure comprises a single class of Ordinary Shares which will be admitted to trading on AIM. The authorised share capital and issued share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following Admission (all of which is issued and will be fully paid-up) is set out below:

<i>Authorised No. of Ordinary Shares</i>	<i>\$ nominal</i>	<i>Issued No. of Ordinary Shares</i>	<i>\$ nominal</i>
(i) 10,000,000,000	100,000,000	1	0.01
(ii) 10,000,000,000	100,000,000	402,100,000	4,021,000

- 3.2 The Ordinary Shares have been created pursuant to the Companies Law. The Company was incorporated with an authorised share capital of \$5,000,000 divided into 500,000,000 Ordinary Shares of \$0.01 each, of which one subscriber share was issued to the subscriber to the Company's Memorandum of Association, Mapcal Limited (and subsequently transferred to VinaCapital Investment Management Ltd) and is in issue prior to Admission. On 8 May 2007 the authorised share capital was increased to \$10,000,000 divided into 1,000,000,000 Ordinary Shares, and further increased on 11 June 2007 to \$100,000,000 divided into 10,000,000,000 Ordinary Shares. Subject to Admission, the issued subscriber share will be repurchased by the Company at par value and cancelled.
- 3.3 On 29 June 2007, the Placing Shares were allotted by resolution of the Board, at a subscription price of \$1.00 per Ordinary Share, conditional upon Admission.
- 3.4 The Ordinary Shares have been assigned ISIN KYG936121022.
- 3.5 Save as referred to in paragraph 3.2 and 3.3 above, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration.

- 3.6 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.7 Any unallotted Ordinary Shares will remain authorised but unissued.

#### **4. Constitutional documents and other relevant laws and regulations**

##### **4.1 Memorandum of Association**

The Memorandum of Association of the Company provides that the objects of the Company are unrestricted and the Company shall have full power to carry out any object not prohibited by the Companies Law. The Companies Law does not prohibit the Company from acting as an investment company.

##### **4.2 Articles of Association**

The Articles of Association of the Company contain provisions, inter alia, to the following effect:

###### **4.2.1 Voting rights**

Subject to any rights or restrictions attached to any shares, on a show of hands every Shareholder who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative, shall have one vote and on a poll every Shareholder who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative, shall have one vote for every Share of which he is the holder.

###### **4.2.2 Dividends**

- (i) Subject to the Companies Law and this paragraph (i), the Directors may declare dividends and distributions on shares in issue and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Companies Law. There is no fixed dates on which the entitlement to dividends arises. All dividend payments shall be non-cumulative.
- (ii) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the par value of the shares that a Shareholder holds. If any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.
- (iii) The Directors may deduct from any dividend or distribution payable to any Shareholder all sums of money (if any) then payable by him to the Company on account of calls or otherwise.
- (iv) The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and may determine that cash payments shall be made to any Shareholders upon the basis of the value so fixed in order to adjust the rights of all Shareholders and may vest any such specific assets in trustees as may seem expedient to the Directors.
- (v) Any dividend, distribution, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through by post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Shareholders or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the share held by them as joint holders.
- (vi) No dividend or distribution shall bear interest against the Company.
- (vii) Any dividend which cannot be paid to a Shareholder and/or which remains unclaimed after six months from the date of declaration of such dividend may, in

the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the dividend shall remain as a debt due to the Shareholder. Any dividend which remains unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

#### 4.2.3 *Winding-up*

- (i) If the Company shall be wound up, and the assets available for distribution amongst the Shareholders shall be insufficient to repay the, whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the par value of the shares held by them. If in a winding up the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Shareholders in proportion to the par value of the shares held by them at the commencement of the winding up subject to a deduction from those shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This paragraph (i) is without prejudice to the rights of the holders of shares issued upon special terms and conditions.
- (ii) If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Companies Law, divide amongst the Shareholders in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Shareholders as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any asset upon which there is a liability.

#### 4.2.4 *Transfers*

- (i) Shares are freely transferable subject as hereinafter provided. The Directors may, in their absolute discretion, decline to register any transfer of a share (not being a fully-paid share), provided that such discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis. The Directors may also decline to register the transfer of any shares in respect of which the Company has a lien. Shares are not transferable to natural persons under the age of 18. The Directors shall not exercise such discretion if to do so would cause a contravention of any applicable Clearstream and/or Euroclear rule or regulation.
- (ii) If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors (a) would cause the assets of the Company to be considered "plan assets" within the meaning of the plan assets regulation (29 C.F.R. 2510.3-101) adopted by the United States Department of Labor under the Employee Retirement Income Security Act of 1974 ("ERISA") or section 4975 of the Internal Revenue Code of 1986, as amended or such similar United States acts and regulations as determined by the Directors from time to time, (b) may give rise to a breach of any applicable law or requirement in any jurisdiction; or (c) would or might result in the Company being required to register or qualify under the United States Investment Company Act 1940; or (d) would or might result in any investment manager engaged by the Company being required to register or qualify under the United States Investment Advisers Act 1940; or (e) contravene the criteria for eligibility for investing in the Company determined by the Directors from time to time, then any shares which the Directors decide are shares which are so held or beneficially owned ("Prohibited Shares") must be dealt with in accordance with paragraph (iii) below. The Directors may at any time give notice in writing to the holder of a share requiring him to make a declaration as to whether or not the share is a Prohibited Share.



- (iii) The Directors shall give written notice to the holder of any share which appears to them to be a Prohibited Share requiring him within 21 days (or such extended time as the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) such share to another person so that it will cease to be a Prohibited Share. From the date of such notice until registration for such a transfer or a transfer arranged by the Directors as referred to below, the share will not confer any right on the holder to receive notice of or to attend and vote at a general meetings of the Company and of any class of shareholders) and those rights will vest in the Chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion). If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors shall arrange for the Company to sell the share at the best price reasonably obtainable to any other person so that the share will cease to be a Prohibited Share. The net proceeds of sale (with interest at such rate as the Directors consider appropriate) shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).
- (iv) The instrument of transfer of any share held in certificated form shall be in any usual or common form for use in the Cayman Islands or in any other form approved by the Directors and shall be executed by or on behalf of the transferor (and, in the case of a transfer of any share that is nil-paid or partly-paid, signed by the transferee). The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the Register of Shareholders.

#### 4.2.5 *Variation of Share Capital*

The Company may by Ordinary Resolution:

- (i) increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (ii) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (iii) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (iv) cancel any shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

#### 4.2.6 *Variation of Rights*

If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of at least three-quarters of the issued shares of that class, or with the sanction of a Special Resolution passed at a general meeting of the holders of the shares of that class.

#### 4.2.7 *General meetings*

- (i) The Company may hold an annual general meeting, but shall not (unless required by the Companies Law) be obliged to hold an annual general meeting.
- (ii) The Directors may call general meetings, and they shall on a Shareholders requisition forthwith proceed to convene an extraordinary general meeting of the Company.
- (iii) A Shareholders requisition is a requisition of Shareholders of the Company holding at the date of deposit of the requisition not less than 25 per cent. in par value of the capital of the Company as at that date carries the right of voting at general meetings of the Company.
- (iv) At least fourteen days' notice shall be given of any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of

the meeting and the general nature of the business and shall be given in manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all the Shareholders (or their proxies) entitled to attend and vote thereat; and
  - (b) in the case of an extraordinary general meeting, by a majority in number of the Shareholders (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in par value of the shares giving that right.
- (v) No business shall be transacted at any general meeting unless a quorum is present. Two Shareholders being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative shall be a quorum unless the Company has only one Shareholder entitled to vote at such general meeting in which case the quorum shall be that one Shareholder present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative.
- (vi) A resolution (including a Special Resolution) in writing (in one or more counterparts) signed by all Shareholders for the time being entitled to receive notice of and to attend and vote at general meetings (or, being corporations, signed by their duly authorised representatives) shall be as valid and effective as if the resolution had been passed at a general meeting of the Company duly convened and held.
- (vii) If a quorum is not present within half an hour from the time appointed for the meeting or if during such a meeting a quorum ceases to be present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day, time or such other place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the Shareholders present shall be a quorum.
- (viii) The chairman may, with the consent of a meeting at which a quorum is present, (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a general meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Otherwise it shall not be necessary to give any such notice.
- (ix) A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands, the chairman demands a poll, or any other Shareholder or Shareholders collectively present in person or by proxy and holding at least ten per cent. par value of the shares giving a right to attend and vote at the meeting demand a poll.

#### 4.2.8 *Directors*

- (i) The Company may by Ordinary Resolution appoint any person to be a Director or may by Ordinary Resolution remove any Director.
- (ii) The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.
- (iii) Subject to the provisions of the Companies Law, the Memorandum and the Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company.

- (iv) The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two if there are two or more Directors, and shall be one if there is only one Director.
- (v) Subject to the provisions of the Articles, the Directors may regulate their proceedings as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A Director who is also an alternate Director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.
- (vi) A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of Directors (an alternate Director being entitled to sign such a resolution on behalf of his appointor) shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of Directors as the case may be, duly convened and held.
- (vii) A Director of the Company who is present at a meeting of the board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.
- (viii) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
- (ix) A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.
- (x) A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.
- (xi) No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established. A Director (or his alternate Director in his absence) shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any Director or alternate Director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon.
- (xii) A general notice that a Director or alternate Director is a shareholder, director, officer or employee of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure for the purposes of voting on a resolution in respect of a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction.

#### 4.2.9 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and

to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

#### 4.2.10 *Issue of Shares*

Subject to the provisions, if any, in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper.

#### 4.2.11 *Pre-emption rights*

There is no provision of Cayman Islands law or the Articles which confer rights of pre-emption upon the issue or sale of any shares in the Company.

#### 4.2.12 *Corporate governance*

There is no applicable regime of corporate governance to which directors of a Cayman Islands company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Cayman Islands law.

#### 4.2.13 *Minority Purchase Rights*

The Ordinary Shares are subject to the compulsory acquisition provisions set out in section 88 of the Companies Law. Under these provisions where an offeror makes a takeover offer and within four months of making the offer it has been approved by the holders of not less than 90 per cent. in value of the shares to which the offer relates, that offeror is entitled to acquire compulsorily from dissenting shareholders those shares which have not been acquired or contracted to be acquired on the same terms as under the offer.

#### 4.2.14 *Change in Control*

There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company except as may arise under paragraph 4.2.4 above.

### 4.3 *The Disclosure and Transparency Rules*

The Articles require that, from Admission and for so long as the Company has any of its share capital admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (as amended and varied from time to time) of the FSA Handbook as if the Company were classified as a “issuer” whose “Home State” is the United Kingdom.

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal leading to the increase or decrease in his shareholding. **Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make the required disclosure to the Company may result in disenfranchisement.**

## 5. **Directors and other interests**

5.1 The interests of the Directors in the Ordinary Shares as at Admission will be as follows:

<i>Name</i>	<i>No. of Ordinary Shares at Admission</i>	<i>%</i>
Don Lam	500,000	0.12
Horst Geicke	500,000	0.12

Unless otherwise stated all such Ordinary Shares have been subscribed for pursuant to the Placing and are beneficially held.

- 5.2 Save as set out above, none of the Directors has any interests, beneficial or otherwise, in the, share capital of the Company nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Directors) any person connected with the Directors have any interests in such share capital, in each case whether or not held through another party.
- 5.3 In addition to their directorships of the Company, the Directors held or have held the following directorships, and are or were members of the following partnerships, within the past five years:

<i>Name</i>	<i>Current directorships, partnerships and affiliations</i>	<i>Previous directorships and partnerships</i>
Don Lam	DFJ VinaCapital Fund Ltd. Ho Chi Minh City International School Kinh Do Property Metropole Sofitel Hotel REE Corp. VinaCapital Group Limited VinaLand Limited	PricewaterhouseCoopers (Vietnam) Ltd.
Horst Geicke	A-1 International (Vietnam) Corporation Limited AA Corporation ACL Holdings Limited ACM Landholdings, Inc. ARC Capital Holdings Limited ARC Capital Partners Limited Beyond Holdings Limited Chi Shung Assets Limited Compagnie Hoteliere de l'Opera CRF Holdings Limited Etechnology Holdings Limited First Shanghai Child Products Limited G-Baby Holdings Limited Geicke HK Ltd. Geoby Children's Products, Inc. Geoby International Holdings Limited Goodbaby Child Products Co., Limited Ho Chi Minh City International School Hoteliere de l'Opera Kunshun Goodbaby Tommee Tippee Child Products Co., Limited Metropolitan Real Estate N.Y. Inc. Montrose Food & Wine HK Ltd Ningbo Goodbaby Child Products Co., Limited Pacific Alliance Asia Opportunity Fund Limited Pacific Alliance Group Holdings Limited Pacific Alliance Group Limited Pacific Alliance Investment Management Limited Shanghai Goodbaby Fashion Co., Limited Shanghai Goodbaby Online Co., Limited Societe a Responsibilite Limitee Compagnie Sofitel Metropole Hotel Hanoi Thang Loi Textiles & Garment Joint Stock Co. Top Star International Ltd. Traffex Technologies Pte Ltd. Vietnam Opportunity Fund Limited VinaCapital Group Limited VinaLand Limited Wellfounded Development Limited	International Gaming and Lottery Technologies Limited Pacific Century Resources Limited RG Global Lifestyles, Inc.

<i>Name</i>	<i>Current directorships, partnerships and affiliations</i>	<i>Previous directorships and partnerships</i>
Paul Cheng	Esprit Holdings Limited Kingboard Chemical Holdings Limited	Chevalier International Holdings Limited Eco-Tek Holdings Limited Hop Kin Holdings Limited Hutchinson Global Communications Holdings Limited Hutchinson Harbour Ring Limited Lamex Tading Co. Limited MFI Furniture Group plc New World Mobile Holdings Limited Sino Hotels (Holdings) Limited Sino Land Co., Limited Spirent plc The Hong Kong Jockey Club The Hong Kong Jockey Club (Charities) Limited The Jockey Club Kau Sai Chau Public Golf Course Limited The Jockey Club Membership Services Limited The Link Management Limited The Wharf (Holdings) Limited Tsim Sha Tsui Properties Limited
Ekkehard Goetting	The Genmon Industry and Commerce Limited The Genmon Industry and Commerce Taicang Limited	
Ly Luong Van	Blackhorse Asset Management Pte Ltd Cong Ty Co Phan Tu Van Dai Nam Long (DNL Partners)	

5.4 At the date of this document, none of the Directors of the Company:

- (i) has any unspent convictions in relation to indictable offences; or
- (ii) has been bankrupt or entered into an individual voluntary arrangement; or
- (iii) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.5 Don Lam and Horst Geicke will have an interest in arrangements between the Company and the Investment Manager by virtue of being a Director and/or by virtue of being indirectly interested in the shares of the Investment Manager, further details of which are set out in Part 3 of this document. Save as set out in this paragraph 5.5 and as otherwise set out in this document, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

5.6 No loan or guarantee has been granted or provided by the Company to any Director.

5.7 The services of each of Don Lam, Horst Geicke, Paul Cheng, Ekkehard Goetting and Ly Luong Van as non-executive Directors are provided under the terms of letters of appointment between

each of them and the Company dated 29 June 2007 subject to termination upon at least three months' notice. The aggregate fee payable to the Directors under these appointment letters is \$130,000 per annum. The Directors' fees payable to Messrs. Geicke and Lam shall be paid to the Investment Manager for so long as they are interested in the Investment Manager.

- 5.8 Save as set out in paragraph 5.7 above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment.
- 5.9 Details of the length of time in which the Directors who are currently in office and the period of their term of office are set out below:

<i>Name</i>	<i>Commencement of period of office</i>	<i>Date of expiration of term of office</i>
Don Lam	19 April 2007	Until removed
Horst Geicke	19 April 2007	Until removed
Ly Luong Van	4 May 2007	Until removed
Paul Cheng	4 May 2007	Until removed
Ekkehard Goetting	4 May 2007	Until removed

## **6. Share interests**

- 6.1 As at 29 June 2007 (the latest practicable date prior to publication of this document), the Company was not aware of any persons who, immediately following Admission, could, directly or indirectly, jointly or severally, exercise control over the Company.
- 6.2 Save as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who will be interested in three per cent. or more of the issued share capital of the Company immediately following Admission:

<i>Name</i>	<i>No. of Ordinary Shares</i>	<i>%</i>
Dali Capital plc	95,000,000	23.63
Hong Lim Fund Investment	37,800,000	9.40
HSBC Bank plc, London	30,030,000	7.47
Merrill Lynch Bank (Suisse) SA	18,320,000	4.56
Morgan Stanley & Co. International plc	53,775,000	13.37
SJAM Investment Managers Pte Ltd	28,000,000	6.96

- 6.3 None of the Company's major Shareholders have different voting rights to other holders of Ordinary Shares.

## **7. Material contracts**

The following contracts, not being entered into in the ordinary course of business, have been entered into by the Company since incorporation and are, or may be, material:

- 7.1 An engagement letter dated 1 March 2007 between the Investment Manager and Grant Thornton Corporate Finance, as novated by the novation agreement dated 29 June 2007 between the Company, the Investment Manager and Grant Thornton Corporate Finance, pursuant to which Grant Thornton Corporate Finance has been appointed to act as nominated adviser to the Company. The agreement contains certain undertakings and indemnities from the Company and is terminable on 30 days notice in writing by either party. The agreement is governed by English law.
- 7.2 A broker agreement dated 29 June 2007 between the Company, LCF Edmond de Rothschild Securities Limited and the Investment Manager pursuant to which the Company has appointed LCF Edmond de Rothschild Securities Limited as broker to the Company for the purposes of AIM, commencing on the date of the agreement and terminable by either party on not less than three months' notice in writing. In the agreement, the Company and the Investment Manager have given indemnities to LCF Edmond de Rothschild Securities Limited. The Company has agreed to pay LCF Edmond de Rothschild Securities Limited an annual retainer of £20,000.
- 7.3 A Placing Agreement dated 29 June 2007 between the Company, Grant Thornton UK LLP, LCF Edmond de Rothschild Securities Limited, the Investment Manager and the Directors pursuant to which the Investment Manager has been appointed as the agent of the Company for the purpose of managing the Placing and has agreed to use reasonable endeavours to procure

placees to subscribe for the Placing Shares at the Placing Price. Pursuant to the Placing Agreement the Company, the Investment Manager and the Directors have given certain warranties to Grant Thornton UK LLP and LCF Edmond de Rothschild Securities Limited concerning, inter alia, the accuracy of the information in this document. The Investment Manager has separately given certain warranties to the Company in connection with the conduct of the Placing. In addition, the Company has given indemnities to Grant Thornton UK LLP and LCF Edmond de Rothschild Securities Limited.

The Placing Agreement is conditional, inter alia, on Admission occurring not later than 8:00 a.m. on 5 July 2007 and the Company and the Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay to the Investment Manager a commission of 3 per cent. on the aggregate value of the Placing Shares at the Placing Price. The Investment Manager shall be responsible for the payment of all sub-placing agents from this commission including in particular LCF Edmond de Rothschild Securities Limited who shall be entitled to receive a sub-placing commission equivalent to 2.1 per cent. the aggregate value of the Placing Shares at the Placing Price subscribed by placees procured by it. The Placing Agreement may be terminated by the Investment Manager, Grant Thornton UK LLP and/or LCF Edmond de Rothschild Securities Limited prior to Admission in certain circumstances, including if there has been a material breach of any of the warranties or if, before Admission, there shall have occurred certain force majeure events which, will or may be materially prejudicial to the Company or to Admission.

- 7.4 The Investment Management Agreement dated 29 June 2007 between the Company and the Investment Manager pursuant to which the Investment Manager was appointed to manage the Company's investments in accordance with the investment policies from time to time approved by the Directors. Under the terms of the agreement, subject to the overall supervision and authorisation of the Directors and/or the Investment Committee (as appropriate), the Investment Manager has authority to manage the assets of the Company. The Investment Manager is entitled to receive a management fee equal to one twelfth of 2 per cent. of the monthly Gross Asset Value which fee shall be payable in US Dollars monthly in arrears on the last Business Day of each month based upon the last preceding published quarterly Net Asset Value.

The Investment Manager is also entitled to receive a performance fee in the event that the year end Net Asset Value is equal to or greater than the higher of (i) the Net Asset Value on Admission increased by a compounded annual hurdle rate of 8 per cent. (the "Hurdle") or (ii) the year end Net Asset Value for the last year in relation to which a performance fee became payable ("the High Water Mark"). In the event that this condition is satisfied the Investment Manager shall be entitled to a performance fee equivalent to 20 per cent. of the increased Net Asset Value to be paid as follows:

- 0 per cent. of the increased Net Asset Value at or below the Hurdle
- 100 per cent. of the increased Net Asset Value above the Hurdle but below a compounded annual rate of 10 per cent. (the "Catch-up"); and
- 20 per cent. of all increased Net Asset Value above the Catch-up.

The Investment Manager is required to devote its time and attention to the affairs of the Company and not to establish other investment funds or investment companies which have a similar investment focus to the Company until such time as 70 per cent. of the net proceeds of the Placing are committed to investments. After this level of capital is committed, the Investment Manager will be free to establish other investment funds or investment companies that might have an investment focus that is competitive with that of the Company.

The Investment Management Agreement contains an indemnity in favour of the Investment Manager against claims by third parties except to the extent that the claim is due to the negligence, wilful default or fraud of the Investment Manager or any party to whom the Investment Manager has delegated any of its functions. In addition, the Company has given certain warranties to the Investment Manager. The Investment Management Agreement may be terminated by either party giving to the other not less than six months' notice expiring on or at any time after the second anniversary of the commencement date of the Agreement or otherwise, in circumstances, inter alia, where one of the parties has a receiver appointed over its assets or if an order is made or an effective resolution passed for the winding-up of one of the parties.



- 7.5 The Administration Agreement dated 29 June 2007 between the Company and HSBC Institutional Trust Services (Asia) Limited (“Administrator”) whereby the Administrator is appointed as administrator of the Company. The Company will pay a fee for administration services at rates agreed with the Administrator from time to time. The Administrator’s initial fee, for administration and custodian services is 0.15 per cent. of the Net Asset Value subject to a minimum monthly fee of \$7,500. This includes the Custodian’s initial fee. The Administrator will also be entitled to recover out-of-pocket expenses in performing its services together with certain transaction costs. The Administrator will share the fees payable for administration services with any affiliate or delegate engaged in the provision of services. The agreement contains an indemnity in favour of the Administrator against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Administrator or any affiliate) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations or duties. The agreement may be terminated by either party giving to the other not less than 90 days notice in writing at any time or otherwise in circumstances where either party goes into liquidation.
- 7.6 The Custody Agreement dated 29 June 2007 between the Company, and HSBC Institutional Trust Services (Asia) Limited (the “Custodian”) whereby the Custodian is appointed as custodian of the Company. The Company will pay a fee for custody services at rates agreed with the Custodian from time to time. The Custodian’s initial fee is included in the Administrator’s fee set out in paragraph 7.5 of this Part 8. The Custodian will also be entitled to recover out-of-pocket expenses in performing its services including sub-custody fees together with certain transaction costs. The agreement contains an indemnity in favour of the Custodian against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (other than those resulting from the fraud, negligence or wilful default on the part of the Custodian or any affiliate) which may be imposed on, incurred by or asserted against the Custodian in performing its obligations or duties. The agreement may be terminated by either party giving to the other not less than 90 days notice in writing at any time or otherwise in circumstances where either party goes into liquidation.
- 7.7 Lock-in undertakings dated 29 June 2007 entered into between the Company and each of the Directors pursuant to the terms of which the Directors have covenanted pursuant to Rule 7 of the AIM Rules not to dispose of any of the Ordinary Shares held by them at Admission or subsequently acquired for a period of 12 months from Admission except in limited circumstances (being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders).
- 7.8 Subscription Agreements dated on or around 29 June 2007 entered into between the Company and each of the placees under the Placing pursuant to the terms of which the placees have given certain warranties and representations in connection with their subscription for Placing Shares together with entering into lock-in undertakings. Pursuant to the terms of these lock-in undertakings, placees holding ten per cent. or more of the Ordinary Shares at Admission have undertaken for the purposes of Rule 7 of the AIM Rules not to dispose of any of the Ordinary Shares held by them at Admission or subsequently acquired by them for a period of 12 months following Admission except in limited circumstances (being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders). The disclosure relating to Dali Capital plc is at paragraph 9.17 below.
- 7.9 Save as itemised above, as at the date of this document there are no other contracts (not being contracts entered into in the ordinary course of business) entered into by the Company since its incorporation which are or may be material or which contain any provision under which the Company has any obligation or entitlement which is material to it as at the date hereof.

## **8. Working capital**

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **9. General**

- 9.1 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company’s business.

- 9.2 The costs and expenses of, and incidental to, Admission will be borne by the Company and will be approximately \$6.7 million.
- 9.3 The Investment Manager was incorporated as an International Business Company in the British Virgin Islands on 22 January 2003 with registered number 550697. The Investment Manager operates under the International Business Companies Act (Cap. 291) 1984 of the British Virgin Islands. The registered office of the Investment Manager is at Commence Chambers, Road Town, Tortola, British Virgin Islands and its head office is in Ho Chi Minh City, Vietnam (tel. +84 8 821 9930). The Investment Manager is not regulated in the British Virgin Islands or elsewhere.
- 9.4 The Custodian and Administrator was incorporated in Hong Kong in 1974 and is registered as a trust company under the Trustee Ordinance in Hong Kong, and approved by the Mandatory Provident Funds Authority to provide trustee services. The registered office of the Administrator's Agent is at 1 Queen's Road Central, Hong Kong. The Administrator is an indirect wholly owned subsidiary of HSBC Holdings plc, a public company incorporated in England and Wales.
- 9.5 Save as otherwise set out in this document and except for fees payable to the professional advisers whose names are set out on page 7 of this document, no person has received fees, securities in the Company or other benefit to a value of £10,000 (or its currency equivalent) whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 9.6 The Company is not and has not since incorporation been involved in any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.
- 9.7 There has been no significant change in the financial and trading position of the Company since the 30 April 2007.
- 9.8 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.
- 9.9 Grant Thornton Corporate Finance, LCF Edmond de Rothschild Securities Limited and the Investment Manager have each given and not withdrawn their written consent to the issue of this document with the references to their respective names in the form and context in which they appear.
- 9.10 Grant Thornton UK LLP of The Explorer Building, Fleming Way, Manor Royal, Crawley RH10 9GT United Kingdom have given and not withdrawn their written consent to the inclusion in this document of their Accountants' Report in Part 5A of this document and the references to such reports and to their names in the form and context in which they appear. Except for this information in the admission document, no other information has been audited or reviewed by auditors.
- 9.11 Mekong Research Limited of 92 Nam Ky Khoi Nghia, District 1, Ho Chi Minh City, Vietnam have given and not withdrawn their written consent to the inclusion in this document of their report in Part 6 of this document and the references to such report and to their name in the form and context in which they appear.
- 9.12 The Company's auditors are KPMG Limited of 10th Floor, Sun Wah Tower, 115 Nguyen Hue Boulevard, District 1, Ho Chi Minh City, Vietnam. KPMG Limited were appointed as auditors on 5 June 2007 and has been approved to provide audit services in Vietnam by the Ministry of Finance.
- 9.13 The Company has not, nor has it had since its incorporation, any employees and does not own any premises.
- 9.14 The Directors undertake to propose a resolution for the winding-up of the Company if no investments have been made within two years of Admission.
- 9.15 The Investment Manager is or may be a promoter of the Company and will receive remuneration under the Investment Management Agreement summarised in paragraph 7.4 above.

In addition, in connection with the Placing, the Investment Manager is entitled to a commission equal to three per cent. of the Placing Price multiplied by the total number of Placing Shares allotted by the Company on Admission.

- 9.16 Save for Dali capital PLC (“Dali”), all related parties and applicable employees (as these terms are defined in the AIM Rules for Companies) have agreed pursuant to Rule 7 of the AIM Rules for Companies not to dispose of any interests in any of the Ordinary Shares for a period of 12 months from Admission.
- 9.17 Dali will hold 23.63 per cent. of the issued Ordinary Shares on Admission. Dali, which is incorporated in Ireland, is a special purpose company that will subscribe and hold the Ordinary Shares and will issue notes which will be secured on and pass through all of the cashflows from the Ordinary Shares held. All of the notes will be held by one holder being a unit trust established in Bermuda with the sole purpose of issuing units in itself to retail investors in Asia. It is not anticipated that any single investor in the unit trust will hold more than 10 per cent. of the units issued by that entity. Due to the terms of the notes issued by Dali, the company may in certain circumstances be obliged to sell the Ordinary Shares held by it.
- 9.18 The Directors have applied for the Ordinary Shares to be admitted to Euroclear and Clearstream with effect from Admission. Accordingly, it is expected that the Ordinary Shares will be enabled for settlement in Euroclear and Clearstream following Admission.
- 9.19 The Directors, in accordance with the AIM Rules, will at each annual general meeting of the Company, seek Shareholder approval of the Company’s investing strategy.

#### **10. Availability of documents**

Copies of this document are available for collection free of charge during normal business hours on any weekday (Saturdays and relevant public holidays excepted) from the offices of Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and VinaCapital Investment Management Ltd, Unit 1703, Sun Wah Tower, 115 Nguyen Hue Boulevard, District 1, Ho Chi Minh City, Vietnam for a period of one month from the date of Admission.

29 June 2007





