

Pacific Alliance China Land

Quarterly Newsletter September 2019

Fund Performance	As at 30 September 2019
NAV per Share	US\$ 0.6992
Total Net Assets	US\$ 1.9m
Issued Shares	2,653,078 ¹
Share Price	US\$ 0.72
Market Capitalization	US\$ 2m
Portfolio Breakdown	
Cash	US\$ 2,056,855
Investments ³	
Total Cash and Investments	US\$ 2,056,855
Other Net Assets/(Liabilities)	US\$ (201,900) ³
Fund Details	
Bloomberg Code	PACL LN
Reuters Code	PACL.L
ISIN Code	KYG6846Y1035
Listing	AIM London Stock Exchange
Date of Inception	22 November 2007
Domicile	Cayman Islands
Structure	Closed-end fund

Investment Objective

Pacific Alliance China Land Limited (PACL) is a closed-end real estate fund focused on investing in existing properties, new developments, distressed projects and real estate companies in Greater China. The Fund invests opportunistically across all types of property, with a focus on first, second and third tier cities. The Fund is advised by a dedicated team of experienced professionals located across China.

On 25 July 2014, PACL's investment policy changed to restrict new investment solely to a) supporting existing investments, b) utilizing RMB cash assets subject to exchange control restrictions, for low risk short-term investments, and c) focusing future investment management efforts on the realization of the portfolio and the return of net realization proceeds to Shareholders. Since July 2014 PACL has returned a total of US\$262million to Shareholders by way of dividends and share repurchases.

Portfolio News

The Fund's net asset value (NAV) as of 30 September 2019 was US\$1.9 million or US\$0.70 per share, compared to US\$2.61 per share as at the previous quarter ending 30 June 2019. Following the completion of the capital reduction of the Tianjin WOFE, a dividend of US\$5 million was paid to Shareholders on 20 September 2019.

In line with market expectations, China's Gross Domestic Product (GDP) grew 6.0% year-on-year in the third quarter, a slight decrease compared to 6.2% in the last quarter. Robust growth in consumption and the services sector continued to contribute positively to economic performance as tertiary industries grew by 7% in the quarter. Real estate development investment increased by 10.5% year on year in the first eight months of 2019, slightly lower than 10.6% for the first seven months of 2019. The Chinese economy still faces challenges and downward pressure from excess industrial capacity, as well as continuing trade tensions with its largest trading partner, the United States. While the macroeconomic situation is decidedly mixed, China's overall outlook remains stable despite the ongoing China-U.S. trade disagreement and negotiations. The government is committed to continuing its monetary policy support and fiscal expansion in order to maintain a moderate and sustainable level of growth.

According to data from China's National Bureau of Statistics (NBS), prices of new homes increased in 55 of the 70 cities tracked by the NBS in August 2019, compared with 60 in July 2019. Most tier-one and tier-two cities saw limited growth in terms of both price and transaction volumes as a result of the Chinese government's stricter property tightening measures. During August, average new home prices in first-tier, second-tier, and third-tier cities increased 0.3%, 0.5%, and 0.7% month-on-month, respectively.

- 2,653,078 ordinary shares issued and outstanding. In December 2018, 20,833,331 shares were repurchased and cancelled.
- Following the share capital restructuring in March 2009, 48.69% of the original PACL ordinary shares in issue were repurchased and cancelled. In return, shareholders who tendered their shares received an equivalent number of new shares in PACL II Limited, a Cayman Islands private realization vehicle that would distribute free cash from exited projects (invested prior to the reconstruction) held by PACL. The investments values represent only that amount attributable to the PACL shareholders and exclude any portion that is attributable to PACL II. Those investments marked * were acquired after the restructuring and PACL II does not have a participation.
- Other Assets/(Liabilities) – Includes accrued taxation and other payables of US\$0.2m

US\$ NAV Return%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.08%	-0.08%
2008	-0.27%	-0.33%	+0.04%	+2.61%	+0.78%	+0.55%	+0.40%	-0.16%	+0.76%	+1.21%	-0.15%	+0.59%	+6.20%
2009	+0.29%	+0.06%	+2.61%	+0.05%	+0.12%	+1.15%	+0.50%	+1.14%	+0.82%	-0.20%	-0.21%	+20.79%	+28.60%
2010	+0.53%	-0.21%	+1.49%	+0.02%	-0.09%	+1.96%	+1.53%	-0.33%	+11.63%	+0.66%	+0.03%	+8.90%	+28.10%
2011	-0.51%	-0.04%	+0.35%	+2.61%	-0.09%	+1.00%	+7.73%	1.34%	-0.19%	+0.86%	-0.28%	+6.12%	+20.55%
2012	-0.26%	-0.12%	+0.75%	-0.16%	-0.45%	+2.61%	-0.17%	-0.28%	+1.00%	+0.12%	+0.77%	+3.10%	+6.97%
2013	+0.24%	-0.08%	+0.12%	+1.46%	+0.05%	+0.86%	+2.90%	-0.06%	-0.10%	+0.11%	-0.06%	+3.52%	+9.25%
2014	-0.75%	-0.94%	-5.35%	-0.27%	-0.63%	-0.24%	-0.19%	+1.38%	+2.94%	+0.52%	+2.94%	+6.55%	+5.64%
2015	-1.18%	-0.62%	-0.88%	+4.10%	-0.12%	-0.65%	-2.05%	-6.11%	-1.06%	+3.91%	-3.41%	-5.40%	-13.13%
2016	-5.29%	-3.34%	+8.38%	+1.40%	-1.70%	-2.89%	+3.62%	+2.90%	+3.18%	-0.57%	+11.51%	+8.38%	+26.96%
2017	-0.03%	-0.70%	-0.37%	-0.32%	+0.21%	-0.06%	+0.25%	+1.90%	-1.21%	-0.11%	-0.50%	+1.42%	+0.43%
2018	+3.06%	-0.99%	-0.48%	-0.93%	-1.31%	-2.19%	-2.92%	-0.40%	-0.85%	-1.32%	-0.19%	+2.90%	-5.64%
2019	+2.46%	-0.05%	-1.31%	-0.59%	-3.09%	-1.59%	-0.32%	-1.53%	-72.66%				-74.29%

Portfolio News (continued)

China's home sales volume, in terms of transacted building floor area, increased 0.6% year-on-year in the first eight months of 2019. The Manager expects that the central government will continue to adopt differentiated housing policies for different cities, tightening controls in tier-one and tier-two cities where housing inventories are low, and loosening controls in lower-tier cities in order to boost demand and help facilitate a reduction of inventories in those oversupplied markets.

Fund Highlights

Distributions

Following the completion of the capital reduction of the Tianjin WOFE, a dividend distribution to shareholders of US\$5 million was paid on 20 September 2019.

Once the Company is delisted, and liquidation of the Company is completed, which the Manager expects to take place by the end of Q1 2020, all excess cash will be paid to shareholders in a final distribution.

Conclusion

Following the dividend to Shareholders, the Company will put a proposal to Shareholders to commence an orderly wind up of the Company and cancellation of the Company's shares from trading on AIM.

Any questions regarding the above information can be addressed with the Manager via email or telephone.

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