

Pacific Alliance China Land

Quarterly Newsletter June 2019

| Fund Performance | As at 30 June 2019 |
|-----------------------------------|-----------------------------|
| NAV per Share | US\$ 2.6056 |
| Total Net Assets | US\$ 6.9m |
| Issued Shares | 2,653,078 ¹ |
| Share Price | US\$ 2.63 |
| Market Capitalization | US\$ 7m |
| Portfolio Breakdown | |
| Cash | US\$ 7,112,889 ² |
| Investments ³ | |
| Foreign Exchange Hedging Options | US\$ 7,689 |
| Total Cash and Investments | US\$ 7,120,578 |
| Other Net Assets/(Liabilities) | US\$ (207,769) ⁴ |
| 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) to focus future investment management efforts on the realization of the portfolio and the return of net realization proceeds to Shareholders. PACL has since July 2014 returned a total of US\$262million to shareholders by way of share repurchases.

Portfolio News

The Fund's net asset value (NAV) as of 30 June 2019 was US\$6.9 million or US\$2.6056 per share, a decrease of 5.2% from the previous quarter ending 31 March 2019. Following the sale of its assets, PACL no longer has active investments. The remaining cash holdings are now available to be distributed to shareholders, as detailed in the Distribution section of this newsletter.

In line with market expectations, China's Gross Domestic Product (GDP) grew 6.2% year-on-year in the second quarter, a slight decrease compared to 6.4% of 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 Q2 2019. Real estate development investment increased by 10.9% year on year in the first half of 2019, slightly lower than Q1 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. The government is likely to continue 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 65 of the 70 cities tracked by the NBS in June 2019, compared with 66 in March 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. Average new home prices in first-tier, second-tier, and third-tier cities increased 0.2%, 0.8%, and 0.7% month-on-month, respectively.

1. 2,653,078 ordinary shares issued and outstanding. In December 2018, 20,833,331 shares were repurchased and cancelled.
2. Approximately US\$0.09m equivalent was held in PRC banks in form of RMB cash assets.
3. 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.
4. 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% | | | | | | | -4.18% |

Portfolio News (continued)

China's home sales volume, in terms of transacted building floor area, fell by 1.8% year-on-year in the first half 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.

Conclusion

The fund no longer has active investments and is in the process of distributing returns to shareholders.

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

Fund Highlights

Distributions

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Following the completion of the capital reduction of the Tianjin WOFE, a distribution to shareholders in the region of US\$5m* is expected to be made in Q3 2019, subject to Board approval, and further details will be notified in due course.

* The estimated distribution amount is based on the unaudited 30 June 2019 NAV of US\$6.9 million, reduced by estimated operating and winding up expenses of US\$0.5 million plus a US\$1.4million reserve. Once the liquidation of the Fund is completed, which the Manager expects will take place by the end of the year, the excess cash will be paid out as the final distribution.

Portfolio Manager

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