

9 May 2013

## MPO announces Net Asset Value Update

*“MPO started the year on a positive note, benefiting from a strong across-the-board rise in local property prices.”*

*“MPO’s portfolio remains well-positioned to capture what we believe will be a multi-year period of sustained economic growth for Macau.”*

David Hinde  
MPO Chairman

**Macau Property Opportunities Fund Limited, managed by Sniper Capital Limited, today announces its Interim Management Statement and Net Asset Value update covering the three months to 31 March 2013.**

### Quarterly Highlights

- Adjusted NAV per share increased 13% during the period to US\$3.62, driven by a strong performance in Macau’s property market, an opportunistic asset sale and on-going share repurchases.
- Sale of *The Sky House* penthouse for US\$19.4 million generated a net profit of US\$6 million, unlocking significant value for shareholders.
- The Company continued its share buyback programme, with c.5% of its outstanding shares repurchased and cancelled between 1 January and mid-April this year.
- Macau’s property market saw a sharp rise in values across all market segments, driven by strong demand for newly launched properties constrained by limited supply.

### Financial Overview

- Unaudited Adjusted Net Asset Value (Adjusted NAV) per share as at 31 March 2013 was US\$3.62, a rise of 13% over the previous quarter. In Sterling terms this was 238p, an increase of 21% (based on a US\$/£ exchange rate of 1.52).
- MPO’s property portfolio was valued at US\$418 million as at 31 March 2013, an 11% increase quarter-on-quarter.
- MPO held a cash balance of US\$29.8 million as at 31 March 2013. Of this amount, US\$5.6 million is pledged as collateral for MPO’s banking facilities, resulting in free cash of US\$24.2 million.
- Based on the Company’s latest portfolio value and assuming a full drawdown of its committed loan facilities, MPO’s total loan-to-value ratio stood at 21% (versus 24% as at the end of the previous quarter).

- MPO repurchased one million of its own shares during the quarter and, since the period-end, a further 3,779,750 shares for cancellation, at a combined average price of 142p per share. This represents c.5% of the Company's issued share capital and brings the total current shares outstanding to 90,000,000.
- MPO continues to hold the view that its share price does not accurately reflect the quality and positioning of its portfolio and potential for further growth in NAV. The Board therefore remains actively committed to buying back shares at an attractive discount to Adjusted NAV.

The Company has been in a close period ahead of the release of this report and has therefore been restricted from repurchasing any of its shares since 22 April 2013.

- A summary of the Company's NAV figures<sup>1</sup> as at 31 March 2013 is as follows:

	31 Mar 2013	31 Dec 2012
Adjusted NAV (US\$ million)	339.1	302.6
Adjusted NAV per share (US\$)	3.62	3.19
Adjusted NAV per share (pence) <sup>2</sup>	238	197
NAV (IFRS) (US\$ million)	232.1	213.0
NAV per share (IFRS) (US\$)	2.48	2.25
Share price as at period end (pence)	140.75	117
Share price discount to Adjusted NAV (%)	41	41
Portfolio valuation (US\$ million)	418.4	392.0
Loan-to-value ratio (%)	21	24

<sup>1</sup> The Company's Net Asset Value (NAV) as at 31 March 2013 has been prepared in accordance with International Financial Reporting Standards (IFRS). Adjusted NAV is shown after accruing for the performance fee (if any) and is calculated by taking the NAV per share calculated under IFRS and adjusting inter alia to include the properties owned by the Company at fair value rather than at the lower of cost and net realisable value. All properties in the Company's portfolio have been independently valued by Savills (Macau) Limited as at 31 March 2013.

<sup>2</sup> Based on the US\$/£ exchange rate of 1.52 and 1.62 as at 31 March 2013 and 31 December 2012 respectively.

### Portfolio Overview

- The Fund sold *The Sky House*, an iconic luxury penthouse located in Tower 3 of One Central Residences, for US\$19.4 million in March. The sale of the property, acquired in April 2012, earned the Fund a net profit of US\$6 million and generated a return on equity of 92%.

- *The Waterside*, the Fund's cornerstone asset, achieved an average net yield of 2.5% per square foot as of the end of March, equivalent to US\$2.73 per square foot per month. Seven expiring leases were renewed at the end of February registering an 8% average rent increase since the end of 2012. Occupancy levels in terms of gross floor area have slipped slightly to 77% from 83% in the previous quarter. This minor decline is partly seasonal and partly related to the Fund's efforts to improve tenant quality and further drive rental growth.
- Finishing and fit-out works at *The Fountainside*, a low-density residential development in the heart of Macau's historic old quarter, are due for completion by the end of July. A show villa was launched in April as part of the final marketing and sales programme which will be commencing soon.
- The Fund made the first architectural submission relating to its flagship retail development, *Senado Square*, at the beginning of the year. The formal planning application process is expected to be completed by the end of the year and construction is due to begin in early 2014.
- *APAC Logistics Centre phase 2* and *Cove Residence*, the Fund's Zhuhai properties, are in the final stages of development. The Fund is actively sourcing tenants and negotiations for potential leases are on-going. The occupancy permits for both properties are expected to be granted shortly.

### Property Market Overview

- Despite government cooling measures intended to rein in price growth, Macau's property prices continued to reach new record highs in 2013, growing at their fastest pace since early 2011.
  1. Average home prices reached a new high of US\$1,054 per square foot in March 2013, a 25% rise compared to February. This also represents a 66.2% year-on-year and a 13.6% quarter-on-quarter growth.
  2. A total of 3,529 homes worth US\$2.8 billion were sold in the first three months of 2013, more than double the total transaction values registered during the same period last year.
  3. Sales of luxury residential units are driving market growth. Data released by the government showed that 48% of the homes sold during the first three months of 2013 cost US\$500,000 or more, compared to 40.9% in 2012. The average sale price at One Central Residences and other comparable luxury properties in the city has

risen to around US\$1,300 per square foot this year, up by 25% year-on-year and 10% quarter-on-quarter.

4. Retail properties have also continued to rise in value. A 497 square foot prime-area shop close to Avenida de Horta e Costa sold for HK\$23.8 million in January and a 1,300 square foot retail outlet near San Malou changed hands for HK\$52.8 million in February. Both transactions reached a sale price of over HK\$40,000 (US\$5,154) per square foot.

5. Rents also continue to increase across all segments of the property market, thanks to growing demand for business leases and demand from residential tenants deterred from buying properties by government cooling measures. The continuing influx of non-resident workers, driven by new casino-resort developments, also had a marked “push up” effect on the residential segment where rental demand significantly exceeds supply.

- Local real estate agents forecast that both capital values and rents will continue to grow in double-digit percentage terms across all segments of the property market this year. Supply remains extremely tight in the residential segment; 2,400 residential units were delivered in 2012, but only 1,000 units are expected to come to market this year.

#### Macau Overview

- Macau’s government expects the territory’s real GDP growth to remain in the low single-digit percentages in 2013. Macau’s economy grew 9.9% in nominal terms last year, but inflation was running at 6.1%.
- Growth in the gaming industry has shown no signs of slowing down. Macau’s accumulated gaming revenue in the first three months of 2013 reached US\$10.7 billion, 14.8% higher than in the same period last year. Gaming revenue for March surged 25.4% year-on-year to a new monthly record of US\$3.9 billion. Analysts attributed the impressive growth to a recovery in the VIP gaming segment, where gross revenue rose 9.8% year-on-year in the first quarter. Analysts are also predicting an overall growth rate in gaming revenue in the mid-teen percentage range this year.
- The mass-market gaming segment continues to grow strongly. In the first quarter of 2013, mass-market gaming revenue jumped 27.0% year-on-year, reaching US\$3.4 billion and accounting for nearly one-third of total gaming revenue. The number of mass-market package tourists visiting Macau grew 18.3% in January and 21.6% in February compared to the same months last year.

- The number of hotels and guesthouses in operation in Macau has also been rising, providing 28,122 rooms as at the end of February, an increase of 26.1% year-on-year. In the first two months of 2013, the number of hotel guests increased by 13.2% year-on-year, although the average occupancy rate fell slightly to 80.1% from 82.3%.

### Risk Factors

- Macau's government announced in late February that it has been monitoring the property market and a new round of property cooling measures may be introduced later this year. Major cities in Mainland China, including Beijing, Shanghai and Guangzhou, imposed new rounds of property cooling measures in late March, following the State Council's policy guidelines.
- A decline in VIP gaming revenues remains a potential headwind facing the property market, with the central government having declared a firm intention to clamp down on corruption. In April, Mainland authorities issued a reminder to Chinese tour operators that they will face criminal charges if they accept commissions to organise gambling trips with more than 10 mainlanders to Macau.
- The outbreak of a new bird flu strain known as H7N9 is also a potential cause for concern, as it might reduce tourist arrivals. Macau's government has extended health checks to all of the territory's entry points, but said that there is no imminent danger to public health in the city. Several casinos have also said they will take precautionary measures. Analysts say the impact of the new bird flu on tourism is limited at present, but that the outlook remains uncertain.

### Outlook

Notwithstanding the above risks, Macau appears to be on a steady growth trajectory as the city further diversifies its economy and shifts its focus to mass market tourism from VIP gaming. Strong demand for the city's properties is expected to persist in the foreseeable future, driven by limited supply, rising local incomes and the steadily increasing attractiveness of Macau as a global tourism and leisure destination.

MPO's portfolio of assets, consisting mainly of luxury residential and retail premises, remains well positioned to benefit from this expected on-going growth over the next few years.

-- Ends --

**About Macau Property Opportunities Fund**

Macau Property Opportunities Fund Limited is a closed-end investment fund registered in Guernsey and listed on the London Stock Exchange's main market.

Launched in 2006, the Company targets strategic property investment and development opportunities in Macau and Mainland China's western Pearl River Delta. Its current \$400 million portfolio comprises a mix of well-positioned residential, retail and logistics property assets.

The Fund is managed by Sniper Capital, an Asia-based property investment manager with an established track record in Fund Management, Investment Advisory and Property Management.

[www.mpofund.com](http://www.mpofund.com)

**About Sniper Capital Limited**

Founded in 2004, Sniper Capital Limited focuses on generating capital growth from property investment, development and redevelopment opportunities in niche and undervalued markets.

Today, Sniper Capital manages three funds, including Macau Property Opportunities Fund, with combined assets of over US\$400 million. With a team of over 30 professionals, Sniper Capital's expertise covers every aspect of the investment and development cycle, including research, site acquisition, project development, asset management, investor relations and finance.

[www.snipercapital.com](http://www.snipercapital.com)

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