

13 May 2014

MPO announces Net Asset Value Update

‘MPO has started the year on a strong footing, with our share price reaching a new all-time high of 251p. As ever, delivering shareholder value, exemplified by the distribution of US\$0.35 per share, remains our focus. The extension of the Company’s life will further allow for the maximisation of portfolio values.

‘In this respect, MPO’s prospects are underpinned by Macau’s strong economic and demographic fundamentals. Major infrastructure and resort projects – particularly those on Cotai – are set to raise Macau’s international profile and spur the growth of the city’s property market.

David Hinde
MPO Chairman

Macau Property Opportunities Fund Limited, managed by Sniper Capital Limited, today announces its Interim Management Statement and latest Net Asset Value (NAV) covering the three months to 31 March 2014.

Quarterly Highlights

- Adjusted NAV per share increased 5.9% over the period to US\$5.25, driven by continued buoyancy in Macau's property market and ongoing share repurchases.
- The sale of APAC Logistics Centre and Cove Residence for RMB392 million (US\$64.7 million) generated a net profit of US\$29 million, which translates to an internal rate of return of 21%, unlocking significant value for shareholders.
- Subsequent to the period end, the Company held an EGM where shareholders approved a distribution of US\$0.35 (c.21p) per share, representing US\$29 million or the net profit from the divestment of the Company's Zhuhai properties.
- Shareholders also approved the extension of the life of the Company to at least end-2016.
- The Company continued its share buyback programme, with c.1% of its outstanding shares repurchased and cancelled at a price of 206.1p per share.
- Property values across all market segments extended their gains, backed by Macau's solid economic fundamentals. Local property agents are expecting housing prices to rise between 10% and 20% this year.

Financial Overview

- Unaudited Adjusted Net Asset Value (Adjusted NAV) per share as at 31 March 2014 was US\$5.25, a rise of 5.9% over the 31 December 2013 figure. In Sterling terms this was 314p, an increase of 5.2% (based on a US\$/£ exchange rate of 1.6681).
- MPO's property portfolio was valued at US\$517 million as at 31 March 2014, a 6.7% increase quarter-on-quarter, after adjusting for the disposal of properties during the quarter.

- MPO held a cash balance of US\$71.1 million as at 31 March 2014. Of this amount, US\$3.4 million is pledged as collateral for MPO's banking facilities, resulting in free cash of US\$68.3 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 21.4% (versus 21.7% as at 31 December 2013).
- MPO repurchased and cancelled 0.8 million of its own shares during the quarter at 206.1p per share. This represents c.1% of the Company's outstanding issued share capital and brings the total current shares outstanding to 82,740,000.
- 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.
- A summary of the Company's NAV figures¹ as at 31 March 2014 is as follows:

	31 Mar 2014	31 Dec 2013
NAV (IFRS) (US\$ million)	268.9	250.0
Uplift of inventories held at cost to market value	165.1	163.6
Adjusted NAV (US\$ million)	434.0	413.6
NAV per share (IFRS) (US\$)	3.25	2.99
Adjusted NAV per share (US\$)	5.25	4.95
Adjusted NAV per share (£) ²	3.14	2.99
Share price as at period end (£)	2.41	2.16
Portfolio valuation (adjusted basis) (US\$ million)	517.4	565.0
Loan-to-value ratio (%)	21	22

¹ The Company's Net Asset Value (NAV) as at 31 March 2014 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 2014.

² Based on the US\$/£ exchange rate of 1.668 and 1.657 as at 31 March 2014 and 31 December 2013 respectively.

Portfolio Overview

- The Company sold its two properties in Zhuhai, *APAC Logistics Centre* and *Cove Residence*, for a combined total of RMB392 million (US\$64.7 million) in February. The sale of the properties, jointly acquired in 2008, generated a net profit of US\$29 million, which translates to an internal rate of return of 21%.

- *The Waterside*, the Company's cornerstone asset, achieved an average net yield of 2.1% as of the end of March, equivalent to US\$3.15 per square foot per month. Occupancy levels have stabilised at approximately 90%. Rental growth is accelerating as rental values catch up with recent strong growth in capital values. New rentals secured at the end of March were 15% higher than a year ago, achieving an average of HK\$24.39 (US\$3.15) per square foot. Furnishing works were undertaken at one of *The Waterside's* duplexes to tap into the continued and growing demand for furnished flats. *The Waterside* was also awarded the title of China/Macau Best Serviced Apartment Awards in 2013-14, attesting to its success as a luxury leased residential property.
- *The Fountainside* received its full sales licence in January. The final sales programme, consisting of 14 standard apartments, two duplexes and four villas, is currently underway. Property curbs, particularly the introduction of additional stamp duties for foreign buyers and a 50% cap on mortgages, have slowed residential sales across Macau. Despite this, we believe *The Fountainside* remains well positioned to attract further sales due to its strong appeal to locals, who are exempt from the special stamp duty and the dominant buyers in the market.
- The response to the formal planning application process for *Senado Square* is expected in the second half of the year. Full structural submissions for the project will begin when all architectural planning approvals have been received. The Company remains committed to working in tandem with the relevant authorities to gain the necessary approvals for its first retail development.

Property Market Overview

- Macau's property prices continued their growth trajectory, hitting new record highs in 2014.
 1. Average home prices reached a new high of US\$1,052 per square foot in February 2014, a 7.4% increase month-on-month. A total of 1,292 homes were sold. The average price for incomplete flats was the highest ever at US\$1,664 per square foot. Residential prices are forecast to rise between 10% and 20% this year.
 2. Sales of luxury residential units have continued to drive market growth. Government data indicated that more than half of all homes sold in Macau in 2013 cost at least MOP4 million (US\$500,000). Local estate agents are now regarding this as the minimum price of entry into the city's residential market.
 3. There were several notable property transactions during the period. The Carat, an upmarket housing project in the NAPE area near the Macau Cultural Centre, pre-sold the first batch of all 210 flats on offer, priced at between US\$1,600 and US\$2,100 per square foot, in two days. Residencia Macau, located in the northern district near the future Hong Kong-Zhuhai-Macau Bridge, sold several units with prices averaging US\$1,300 per square foot. Nova Park, a residential development in Taipa, recorded transactions averaging US\$1,400 per square foot. Luxury development One Oasis, situated near the Cotai

Strip, transacted at an average of US\$1,600 per square foot at the end of March – nearly 40% more compared to the December 2013 period.

2. Residential rental values are also registering strong advances. According to a survey conducted by human resources consultant ECA International, the average rent for an upmarket, three-bedroom home in Macau is US\$4,426 a month, the seventh-highest in Asia.
 3. In a similar vein, retail properties have continued to rise in value. A 930 square feet prime-area shop in Senado Square along Rua do Dr Pedro Jose Lobo sold for HK\$450 million (US\$56 million) last year. Notable retail rental rates in the first quarter of this year include a ground-floor cosmetics shop near Rua do Monte leasing the shophouse for HK\$617 (US\$80) per square foot per month, and a fashion retailer paying a monthly rental rate of HK\$488 (US\$63) per square foot for a 5,740 square feet three-storey unit.
- Local real estate agents have forecast that price growth for upmarket homes in the city, in particular incomplete flats, could far outpace that of homes for the mass market this year. Upmarket homes refer to those priced above HK\$20 million, or costing over HK\$13,000 (US\$1,625) per square foot. Prices are expected to hold firm in the face of tight supply, particularly given strong local demand and the influx of foreign workers.

Macau Overview

- The territory is expected to continue growing at a double-digit pace in 2014. The Economist Intelligence Unit predicts that Macau's GDP will increase at an average annual rate of 10.6% this year, with inflation between 6% and 6.3%. Last year, the economy expanded by 11.9% and inflation was 5.5%.
- The gaming industry continues to thrive. Macau's accumulated gaming revenue in the first three months of 2014 reached US\$12.8 billion, 19.8% higher than in the same period last year. Gaming revenue for March grew 13.1% year-on-year to hit US\$4.4 billion.
- The gaming table shift from VIP to mass market gained ground in 2014, with all six gaming operators in Macau adding more mass tables in their casino resorts. The mass table yield in Cotai has been outperforming the Peninsula side. Analysts attribute the momentum of mass gaming to the cluster effect of bigger casinos in Cotai, which have helped to draw substantially higher foot traffic and is key to driving the mass market segment. Galaxy Macau is expected to open the second phase of its Cotai development in early 2015, while Melco Crown's Studio City will be opening later that same year. Sands Parisian, MGM Cotai and Wynn Palace are targeting to open in early 2016, with SJM expected to be the last to open in 2017. These Cotai projects are estimated to create over 12,000 hotel rooms and 1,800 gaming tables, with more than 30 million square feet of gross floor area combined.
- Visitor expenditure remained strong, supported by an influx of visitors to the city over the Chinese New Year period. Macau's retail sales are expected to be boosted by the discretionary spending power of the Chinese middle class, particularly as they expand their wealth in China. Given

the improving Chinese economic outlook, disposable incomes are likely to rise and with it, retail sales.

- In the first three months of 2014, the number of hotel guests increased by 6.0% year-on-year. Average occupancy rates in three-, four- and five-star hotels grew, with occupancy rates in all tiers reaching more than 90% in March.

Risk Factors

- Recent measures to combat illegal financial transactions in Macau following revelations of the unlawful use of payment cards in casinos to circumvent China's currency controls could potentially impact the city's gaming revenue.
- China's slowing property market has weighed down fixed-asset investment growth. Real estate investment rose 16.8% year-on-year in the first quarter this year. According to Barclays, this translates to a marked slowdown of 14.2% growth in March alone, the slowest pace in seven months. Any policies implemented in China may have a 'spill-over' effect, and could lead to the introduction of fresh cooling measures in Macau's property market.
- Although the VIP gaming segment has been hit by the Chinese government's ongoing anti-corruption drive, this is being increasingly offset by growth in the lucrative mass market segment. Close to 100 tables were added to the mass segment in the fourth quarter last year, of which 40 tables were taken from the VIP segment. JP Morgan estimates that revenues from the mass market could increase by 39% year-on-year in the first quarter.
- The average length of stay of hotel guests in the city has remained comparatively low, at between 1.4 and 1.5 nights since the start of the year. The average visitor from Asia stays one night or less, owing to easy accessibility and expensive hotel rooms in the territory.

Outlook

Investing in Macau – as elsewhere – is not without its risks. The city's fundamentals, however, remain sound; public finances are strong while the labour market remains resilient. And longer term, Macau's prospects continue to look highly attractive.

The transition from gaming mecca to mass tourism destination is gathering pace. Increasingly, gaming operators are expanding their non-gaming offerings such as entertainment and conferences. At the same time, nearby island Hengqin – planned as a complementary leisure destination to Macau – continues to see rapid growth.

MPO's portfolio of assets, comprising largely of luxury residential and retail premises, is in prime position to benefit from Macau's promising prospects. Overall, therefore, we are confident that the portfolio will continue to deliver positive results for our shareholders.

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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 US\$517 million portfolio comprises a mix of well-positioned residential and retail property assets.

The Fund is managed by Sniper Capital, an Asia-based property investment manager with an established track record in fund management and investment advisory.

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

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