



Rapid transformation of Cotai area continues at full speed into 2012

INVESTOR UPDATE

## HIGHLIGHTS

- Strong set of annual results
- Launch of *The Waterside Club*
- Zhuhai developments to top out soon
- New record for Macau gaming revenues

## OVERVIEW

The strong Macau economy continued to accelerate in Q3 2011. In the midst of stellar visitor arrival records and robust retail sales growth, Macau's gaming revenues have once again broken new ground. Year-to-date gaming revenues stand at US\$24.3 billion, already eclipsing the full year figure for 2010.

The Fund made good progress on its asset management and development programmes during the quarter. *The Waterside Club*, a members-only guild designed specifically for *The Waterside* tenants, was launched in October. Construction progress for projects in Zhuhai, China – *APAC Logistics Centre* and *Cove Residence* – is on track, with topping out scheduled to take place this month. Basement works for *The Fountainside* have been completed, with superstructure construction to begin by year-end.

## FUND UPDATE

### Strong set of annual results and healthy balance sheet

The most recent adjusted NAV per share as at 30 June 2011 was US\$2.72, which translates to 170p\*. MPO's property valuation rose 21% YoY to US\$334 million while the company's loan-to-value ratio dropped from 27% to 24%, assuming a full drawdown of MPO's committed credit facilities. The Company's cash balance currently stands at US\$29.7 million, following a return of US\$17.9 million to shareholders in July 2011.

\*Based on a Dollar/Sterling exchange rate of 1.601 as at 4 November 2011.

## PORTFOLIO SUMMARY

### The Waterside – leasing status

Of the six one-year leases that came up for expiry in Q3 2011, four were renewed with achieved rents up to 20% higher than a year earlier. The two non-renewed leases resulted in a slight reduction in *The Waterside*'s total occupancy level, from 61% to 58%. The property's net yield based on the total rented area remains at 2.2%.

*The Waterside Club*, an extension of the property's "tailored luxury" service, was launched in October. Residents can look forward to enjoying a range of special offers and exclusive events that distinguish the community's unique tastes and preferences.

Responding to tenants' feedback for further differentiation in existing classic and contemporary home designs, MPO is in the process of implementing a premium enhancement programme for selected units, which will introduce artwork, decorative items and a wider selection of furniture and appliances.

*“On the back of a strong set of annual results and a healthy balance sheet, MPO made good progress on its asset management and development programmes in Q3 2011.”*

### SPECIAL FEATURE



#### Macau – Beyond Gaming

Macau, hitherto synonymous with gaming, is emerging as a destination for international and non-gaming events.

After lighting up the sky with the 23rd Macau International Fireworks Display from 10 September to 1 October, Macau most recently played host to the inaugural International Yacht Import & Export Fair featuring 30 top brands and City of Dream's Glam Slam 2011, a three-day fashion extravaganza where seven top Asian designers' premiered their works. Up next would be the 58th Macau Grand Prix which will run from 17 to 20 November, setting pace for Asia's edition of Top Marques. Scheduled to take place from 24 to 27 November, the supercars auto show is expected to draw some 20,000 visitors.

And to the shoppers' delight, the inaugural Macau Shopping Festival was held from 10 September to 7 October, while two flea markets were organised at the Fisherman's Wharf.

Packages offering improved features that aim to provide a more personalised atmosphere for tenants, will also be available from early 2012. These schemes are part of MPO's ongoing strategy of enhancing the overall tenant experience, with the objective of continuing to grow *The Waterside's* reputation and rental income.

#### Basement for *The Fountainside* completed

Construction of the double-storey basement has been completed and work on the superstructure will commence upon receiving the necessary licences, expected to be by year-end.

*The Fountainside* is close to 50% pre-sold following a successful initial sales programme earlier this year. The team is currently working on launching the second wave of marketing activities. This will aim to boost the profile of the remaining 22 units and will include a media tour of the site by early 2012.

The property's development programme remains on track for completion by mid-2012, with handover to buyers by year-end.

#### *The Green House* unveils its new look

Perched on the prestigious Penha Hill, the eye-catching *The Green House* has attracted the attention of several interested parties. Judging from the market demand for such prized assets, the Manager is targeting a premium exit price for this newly renovated, 5,000 square feet property.

#### Zhuhai projects to top out in November

Six months into their development programmes, construction works for *APAC Logistics Centre* and *Cove Residence* are progressing as planned, with a topping out ceremony scheduled to take place in November 2011. The development portion of *APAC Logistics Centre*, due for completion in phases from Q1 2012, will add a total of 1.1 million square feet to existing buildings on site.

On a nearby site, *Cove Residence* – a residential development designed with the region's burgeoning middle class in mind – is on track for construction completion in Q2 2012. The 250,000 square feet development will boast 450 residential units and a range of recreational facilities.

#### *Senado Square* well-positioned for success

Strategically located in the heart of Macau's UNESCO-endorsed historical centre, *Senado Square* is primed to benefit from ever-increasing volumes of tourist traffic and shopping receipts.

Macau's buoyant retail industry and shortage of prime retail space are harbingers of positive rental and capital growth for *Senado Square* – expected to commence construction next year and be completed in 2014.

### MACAU OVERVIEW

#### Macau economy remains resilient

Despite fears of a liquidity squeeze and an economic slowdown in China, the Manager maintains the view that Macau – still at an early stage of its economic emergence – is backed by strong fundamentals. The Economist Intelligence Unit expects the territory to register robust GDP growth of 20% in 2011 and 15% in 2012. This is in sharp contrast to the low growth forecasts for Europe and the United States.



Basement construction for *The Fountainside* has been completed



Topping out ceremony for *APAC Logistics Centre* to take place in November 2011





*“With 80% of residential transactions conducted by locals, Macau’s residential property market remains largely end user-driven.”*

### **New tightening measures come into effect**

In August, home sales plunged to their lowest monthly level since April 2009, following a new stamp duty introduced in June 2011 that was designed to rein in speculative activities. Only 645 residential sales worth US\$218 million were recorded in August, down 31% and 7% year-on-year, respectively.

According to the Financial Services Bureau, average home prices have stabilised at US\$455 per square foot at the end of Q3 2011 (vs. US\$450 per square foot in Q2 2011), an 11.7% increase year-on-year.

With 80% of residential transactions conducted by locals, Macau’s residential property market remains largely end-user driven. As such, the Manager is of the view that the increasing purchasing power of locals, coupled with their demand for better quality homes, will provide support for residential transaction volumes and values in the mid to long-term.

### **High-end residential market remains robust**

The Manager continues to prefer the high-end residential market and remains confident in its investment in One Central Residences. According to Jones Lang LaSalle, the luxury residential sector has seen capital values rise 15.2% in H1 2011, as compared with end-2010. This compares with a growth of 10.6% for the mass and medium residential market.

On the leasing side, buoyed by strong expatriate demand with the opening of new gaming facilities, average rental values of high-end residential properties registered 11.9% growth in the first six months of 2011.

### **More affordable housing on the market**

Approximately 3,600 affordable housing units will be allocated to eligible local residents by December this year, as part of the Macau government’s plan to provide quality accommodation at subsidised prices. Priced between US\$160 to US\$235 per square foot, these affordable housing units stand at a 50% discount to the private market’s typical value.

We maintain that the divestment in the *Rua do Laboratório* project was timely as it served to unlock shareholder value, whilst mitigating the Fund’s exposure to the entry-level/mass market residential market.

### **Increasing demand for retail property**

As the residential property market cools, investors are increasingly setting their sights on the retail sector. A subsidiary of the Emperor Group, Fai Lek Limited, has committed US\$60 million for the right to build a five-storey commercial building in downtown Macau. Spanning a total area of 29,600 square feet, the project is due to be completed in 2014. Backed by such strong investor demand, capital values saw a 11.5% jump in the second quarter of the year, while rental values rose 11.9% in the first half of 2011, according to Jones Lang LaSalle.

Coupled with Macau’s increasing connectivity with the rapidly growing Pearl River Delta (PRD), we believe the credit tightening situation in mainland China may present attractive opportunities for MPO to broaden its reach into the PRD.

### **New record for Macau gaming revenues**

Macau’s gaming industry continued to surpass expectations in Q3 2011. Year-to-date revenues for the first nine months of the year registered US\$24.3 billion, already surpassing 2010’s full-year record of US\$23.5 billion.



Stunning views from *The Green House*, atop the Penha Hill

The Macau administration has stated openly that it will not blindly pursue revenue growth. As a means to diversify its economy and moderate the rapid growth of its gaming industry, the Macau government has set a gaming table cap of 5,500 until 2013 and restricted the rate of growth of gaming tables to 3% p.a. until 2023. The Manager believes this is a positive step towards the overall sustainable growth of the market.

While analysts widely expect gaming revenue growth in Macau to decelerate in tandem with tighter monetary policy in mainland China, they still see relative strength in the sector. Asian brokerage, CLSA, forecasts an average revenue growth of 17% p.a. over the next nine years, with the Macau gaming market poised to hit US\$108 billion p.a. by 2020.

#### Developments on Cotai

In addition to the existing collective count of 6,600 rooms and 1,850 gaming tables across Galaxy Macau, City of Dreams, and Venetian Macau, the forthcoming Sands Cotai Central will add another 5,800 hotel rooms, 530 gaming tables and 100,000 square feet of meeting and convention space by Q3 2012. The US\$4.5 billion project will feature hotels such as Sheraton, Conrad and Holiday Inn.

The rapid transformation of the Cotai Strip, including the new Taipa Ferry Terminal with annual passenger capacity of 15 million by 2013, has prompted fierce competition among developers for a foothold in Macau's new tourism epicentre. Melco Crown, MGM China, SJM Holdings and Wynn Macau also have new exciting projects lined up from 2015-6.

## CONCLUSION

The global outlook may appear threatening in the near-term, but Macau is predicted to out-perform most economies with a projected 20% GDP growth, driven by solid gaming and retail revenues.

MPO remains committed to strategic and prudent redeployment of capital and will continue to actively seek new accretive acquisitions of quality property assets in Macau and the PRD.

#### QUICK FACTS

Listing Date <sup>1</sup>	30 June 2010
Exchange	London Stock Exchange
Stock Code	MPO
Issue Price	100p
Latest Share Price	116.00p
Market Capitalisation	£120.95 million
Latest Adjusted NAV	US\$2.72 (170p) <sup>2</sup>
No. of Key Acquisitions	Five
Total Commitment	US\$294 million
Manager	Sniper Capital

#### ABOUT MACAU PROPERTY OPPORTUNITIES FUND

Macau Property Opportunities Fund Limited is a closed-end investment fund registered in Guernsey. Its shares began trading on AIM in June 2006, when it raised £105 million in an institutional placing, before moving to the Main Market of the London Stock Exchange in June 2010. The Company's investment policy is to provide shareholders with an attractive total return through investing in property opportunities in one of the world's fastest growing and most dynamic regions – Macau and the Western Pearl River Delta of Southern China.

The Fund is managed by Sniper Capital Limited, an independent investment manager that specialises in property investment, development and redevelopment opportunities in niche, undervalued and developing markets.

For further information: [www.mpopfund.com](http://www.mpopfund.com)

<sup>1</sup> MPO's shares began trading on AIM in June 2006, when it raised £105 million in an institutional placing, before moving to the Main Market of the London Stock Exchange in June 2010.

<sup>2</sup> Based on a US\$/£ exchange rate of 1.601 as at 4 November 2011  
All remaining data as at 5 November 2011

#### Manager – Investor Contact

Sniper Capital (Hong Kong) Limited  
Tel: +852 2292 6700  
Email: [info@snipercapital.com](mailto:info@snipercapital.com)  
[www.snipercapital.com](http://www.snipercapital.com)

#### Company Secretary & Administrator

Heritage International  
Fund Managers Limited  
Mark Huntley / Laurence McNairn  
Tel: +44 1481 716000

#### Corporate Broker

Collins Stewart Europe Limited  
David Yovichic / Dominic Waters  
Tel: +44 20 7523 8000

#### Public Relations

MHP Communications  
Simon Hockridge / Andrew Jaques  
Tel: +44 20 3128 8100

#### Stock Codes

Bloomberg: MPO LN  
Reuters: MPO.L

This document does not constitute, and may not be used for, an offer or an invitation to any person in any jurisdiction to acquire shares. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published in whole or in part, for any purpose. This document shall not be distributed in any jurisdiction where such distribution, would be unlawful and until the requirements of such jurisdiction have been satisfied. In particular, this document or any copy thereof shall not be taken, sent or transmitted into the United States, Republic of South Africa, Australia, Canada or Japan or distributed, directly or indirectly in the United States, Republic of South Africa, Australia, Canada or Japan or to any persons residing in such jurisdictions. This document may only be communicated to, and is only directed at persons falling within Article 43 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or otherwise as permitted. Macau Property Opportunities Fund Limited is a Guernsey incorporated company whose shares have been admitted to trading on the Main Market of the London Stock Exchange.