



Q4
2010



The graceful Penha Church on Macau peninsula

INVESTOR UPDATE

HIGHLIGHTS

- One Central loan refinanced
- Launch of APAC Logistics Centre
- Soft marketing of *The Fountainside*
- Macau 2010 gaming revenues +58% YoY

“The local property market remained buoyant, despite the recent implementation of new cooling measures.”

OVERVIEW

2010 was an unprecedented year for Macau. Gaming revenues surged 58% YoY to US\$23.5 billion - four times those of the Las Vegas Strip - and tourist arrivals reached an all-time high of 25 million on the back of a booming Chinese economy and rising domestic consumption. Against this strong economic backdrop, the local property market remained buoyant, despite the recent implementation of new cooling measures.

During the quarter, MPO successfully refinanced its US\$81 million loan facility on One Central, officially opened the APAC Logistics Centre showroom in Zhuhai and commenced soft marketing of its first residential project, *The Fountainside*.

FUND UPDATE

One Central refinancing completed

In November, MPO concluded the refinancing of its US\$81 million One Central loan facility on significantly improved terms. Debt maturity has been extended by three and a half years to 2015; interest will be charged at a spread of 1.6% per annum above HIBOR, generating direct savings to the Company of c.US\$650,000 per annum; and the loan-to-value covenant is more favourable at 60%.

Based on the Company's portfolio value as at 30 September 2010 and assuming a full drawdown of its committed loan facilities, MPO's total loan-to-value stood at 27%.

Interest rate hedging programme

The Company has taken advantage of what it considers to be attractive long term interest rates by swapping floating rate HIBOR for five year fixed interest rates at an average fixed rate of 1.56% per annum on a total of HK\$400 million (c. US\$52 million).

MPO will continue to implement proactive financial management strategies and closely monitor market conditions for attractive hedging opportunities.

PORTFOLIO SUMMARY

Good leasing progress at *The Waterside*

Leasing take-up of *The Waterside* continued to increase, with more than 40% of standard units leased as at the end of 2010. Fit-out works for the simplex and duplex apartments are underway and a series of high profile campaigns are being planned to coincide with their completion in Q1 2011. These deluxe apartments are expected to achieve rental premiums of up to 80% relative to the standard units.

SPECIAL FEATURE



New projects in Hengqin

Several exciting developments are taking shape on Hengqin Island, located within a 2-minute drive from APAC Logistics Centre. A key initiative of the US\$10.3 billion regeneration plan is the 6 sq km "Shizimen Central Business District". The first phase, completed in 2013, will cover six million square feet of convention and exhibition space, hotels, offices and residential buildings.

Hengqin Island will also showcase the US\$3 billion family-oriented Chime Long International Ocean Resort, a US\$150 million Chinese Traditional Medicine Park, a US\$1 billion 3D production centre, and University of Macau's new campus, which will be 20 times larger than the present Taipa campus.

The region will gain increased connectivity with Macau given the Light Rapid Transit's proposal to connect to Hengqin and Guangzhou.

To further enhance the overall tenant experience, MPO is preparing to introduce "The Waterside Club" in Q1 2011. This elite programme will offer residents exclusive services and privileges, including preferential shopping and dining options as well as gym and spa packages.

APAC Logistics Centre well-received

MPO's planned warehousing and logistics facility located in Zhuhai, APAC Logistics Centre, opened its marketing showroom to the public in November. The inauguration ceremony received wide media coverage and was well attended by over 100 government officials and industry leaders, including international logistics operators and financial institutions. Progress on this project continues on schedule with ground breaking on both the residential and logistics sites in Q1 2011.

The Fountainside set to launch

The Fountainside, located within the UNESCO-designated "Historic Centre of Macao", was selectively marketed to VIP customers in the last two months of the year. Demand from high net worth locals, as well as overseas buyers, was strong for this exceptional residential property set in an exclusive and prestigious neighbourhood where there is limited new supply.

Construction of *The Fountainside* is making good progress and is on schedule to complete in the first half of 2012.

Preparation for the public sales programme, which is anticipated to commence in early 2011, is currently underway.

Further progress made in other projects

Macau government authorities have provided positive preliminary feedback on **Senado Square's** contemporary and sustainable design concept, and view the project positively as a catalyst for the regeneration of the whole area. Detailed architectural drawings are to be submitted imminently, with redevelopment expected to begin by mid-2011.

Rua do Laboratório, MPO's entry level residential project, has recently received architectural design approvals and is expected to break ground in Q1 2011 following the receipt of full submission approvals. Construction of the Light Rail Transit (LRT) system is also set to commence in mid-2011 with Phase 1 due to begin operations in 2015. Rua do Laboratório is well positioned to benefit from the increased connectivity this rail link will provide.

MACAU OVERVIEW

Robust economy

Macau's GDP grew 27.1% in Q3 and is on track to grow at the government's estimate of 30% for the full year 2010. Retail sales and visitor arrivals both continued to register strong positive growth, with total value of retail sales expected to increase by an impressive 30% YoY to US\$3.6 billion in 2010.



Signing of new Loan Facility Agreement with Hang Seng Bank



Showroom opening of APAC Logistics Centre



PROPERTY MARKET

“Macau's gaming revenues reached US\$23.5 billion in 2010 and is anticipated to further double in four years, according to PricewaterhouseCoopers.”

Robust property market

The residential market remained buoyant in the last quarter of the year, in tandem with a booming regional market. In the first nine months of 2010, a total of 12,905 homes (+91% YoY) were sold, and media reports suggest that total residential transactions will hit 16,500, worth US\$5.3 billion in 2010 – up 46% and 91% respectively compared with the previous year.

Branded luxury serviced apartments

Sales of the 92 Mandarin Oriental apartments have commenced, with unit sizes ranging from 695 to 5,000 sq ft. According to market sources, more than 60% of the apartments have been sold at an average price of HK\$7,000 to HK\$10,000 psf.

Sands China has also received the green light from the government to sell shares to prospective buyers interested in owning a Four Seasons-branded apartment located on the Cotai Strip.

Greater transparency for real estate market

The Macau government recently rejected Sands China's application for the concession of Cotai sites 7 and 8 while also dismissing SJM's interest in the two sites. Keen to encourage greater diversification in Cotai, the government has decided to keep sites 7 and 8 as land reserve.

The government has also announced that land will no longer be granted for casino projects without a public tender once a new land law takes effect in 2012. Its refusal to grant SJM rights to the two key sites without a public tender appears to be in line with its stated intention to increase the transparency of the land grant system.

Moreover, the government has proposed to peg the calculation of land premiums closer to prevailing market values and impose a stricter timeframe for developers to commence construction post issuance of all necessary approvals.

Starting 1 January 2011, all private construction projects submitted for government approval must include details on the housing use and construction index for each unit.

Gaming revenues at record high

Macau's 2010 gross gaming revenues were well above market estimates, surging 58% YoY to a total of US\$23.5 billion. Macau, already the world's biggest gaming market, is anticipated to further double its gaming revenues in four years, to reach a remarkable US\$45.1 billion in 2014, according to a recent report by PricewaterhouseCoopers.

Macau to focus on non-gaming development

Coinciding with Chinese Premier Wen Jiabao's first visit to Macau in November, the Central government has reiterated its support for economic diversity and the development of modern service industries.

The Macau Theme Park and Resort Ltd, a company controlled by Stanley Ho's fourth wife Angela Leong, has announced plans to build a US\$1.3 billion theme park in Cotai. Encompassing 20,000 sq metres of land next to the Macau Dome, the mega resort will feature family-oriented facilities such as amusement rides, an indoor beach, shopping malls and over 6,000 hotel rooms. At the same time, SJM Holdings is widely expected to secure land rights for a 70,000-sq metre plot of land adjacent to the theme park.



Historic fountain in Lilau Square – namesake of *The Fountainside*

Caesars Golf Macau marked the grand opening of its 32,000 square foot luxury clubhouse and refurbished golf course with a charity tournament in December, while Playboy Enterprises made its debut with a 12,000 square foot Playboy club on the top floor of the Sands Macao in November.

2011 Policy Address highlights

As Macau celebrated the 11th anniversary of its establishment as a Special Administrative Region, the government announced plans to spend US\$1.65 billion on social livelihood initiatives, together with public handouts and tax reduction. On the housing front, Macau permanent residents purchasing residential properties for the first time will receive a waiver on real estate stamp duty on the first US\$375,000 of a home's value.

CONCLUSION

Ending 2010 on a strong note, Macau is expected to maintain its positive performance in the coming year. In Q4, MPO has made good progress in its asset management programmes and development projects, whilst continuing to implement proactive cash flow management strategies. The Company remains well positioned to benefit from the growing Macau economy and the shift of policy focus to the non-gaming sector.

The Company's interim results for the period ended 31 December 2010 are due to be released in end February 2011.

QUICK FACTS

Listing Date*	30 June 2010
Exchange	London Stock Exchange
Stock Code	MPO
Issue Price	100p
Latest Share Price	131.00p
Market Capitalisation	£137.55 million
Latest Adjusted NAV	US\$2.53 (161p)^
No. of Key Acquisitions	Five
Total Commitment	US\$294 million
Manager	Sniper Capital

* 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.

^ Based on a US\$/£ exchange rate of 1.572

All remaining data as at 5 Jan 2011

ABOUT THE 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 opportunities in niche, undervalued and developing markets.

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