

Listing Date	5 June 2006	Maximum Level of Gearing	60%
Exchange Listing	London Stock Exchange (AIM)	Current Level of Gearing	0%
Total Shares Issued	105,000,000	Domicile	Guernsey
Share price	96.25 pence (29 September 2006)	Nominated Adviser	Collins Stewart Limited
Market Capitalisation	£101,062,500	Administrator	Heritage International Fund Managers Ltd
Stock Code	MPO	Investment Adviser	Sniper Capital Management Limited

Key Points

- Strong & varied pipeline of opportunities
- Seven sites under negotiation worth approximately £70 million
- Niche, focused investment strategy maintained
- Opening of first “mega” casino Wynn Macau a success
- Powerful macro-economic story remains intact

Fund Activity

Since the Company's admission to AIM on 5 June 2006, Sniper Capital Limited, the Company's Investment Manager (the “Manager”), has made excellent progress in sourcing a strong and varied pipeline of acquisition opportunities, primarily via its well-established local network, but also through an expanding range of relationships with local developers and agents. To-date the Manager has assessed over thirty five sites in wider Macau and a further ten in Zhuhai, with a combined value of approximately £279 million. Of these, seven properties with a combined acquisition value of approximately £70 million are at various stages of negotiation.

Terms have been agreed in principle on two developments (one a redevelopment of a prime central site for retail and entertainment use and the other a luxury residential development, both in Macau) with a combined acquisition value of approximately £43 million. Final due diligence is now being undertaken on these acquisitions. Of the other five sites currently under negotiation, two are for industrial use, two are residential developments (one luxury and one low-end) all in Macau, and the other is a retail / commercial development in Zhuhai. There is no guarantee that these potential opportunities will result in investments being made, but the Manager is confident that a number will be secured for the Company at attractive prices.

The Manager remains extremely cautious of the spate of middle-market residential projects being developed predominantly in new areas and targeted at the burgeoning expatriate population (Jones Lang La Salle predicts there will be 17,000 new expatriates by 2009). This opinion is predicated on the excessive supply being experienced in this sector and the potential obsolescence of such stock as newer and better designed projects reach completion. Consequently, the Manager has declined numerous opportunities, which, if taken, would already have resulted in full investment of the Company's equity.

The Manager maintains its view that residential demand will be driven primarily by the local population as it continues to benefit from rising disposable income levels and high savings rates. With Macau households spending an average of only 25% of their income on residential mortgages (versus almost 60% for Hong Kong), there is substantial scope for them to upgrade on their existing accommodation. The Manager therefore continues to focus on opportunities in established neighbourhoods and communities.

The Manager is also in discussions with a number of international businesses which are seeking to form a commercial presence in Macau, with a view to developing purpose-built facilities for sale or long lease across a variety of sectors. Such arrangements have the significant benefit of establishing guaranteed investment exits via a pre-agreed sale or through securing a long term leasing contract which substantially enhances the property's market value.

The Company's investment strategy is to remain focused on a mix of niche developments and redevelopment opportunities, clearly differentiated by either location or sustainability of future demand. These types of properties are inherently more difficult to secure due to more complex due diligence processes and often multiple ownership. It is these investments, however, which the Manager believes will ultimately generate superior returns for investors and hence justify the lead times involved.

About the Macau Property Opportunities Fund

Macau Property Opportunities Fund Limited is a closed-end investment company incorporated in Guernsey and listed on the Alternative Investment Market of the London Stock Exchange. The Company's investment policy is to provide shareholders with an attractive total return, which is expected to comprise primarily capital growth, but with the potential for dividends over the medium to long term. The Company focuses on investing in property opportunities primarily in Macau, but also potentially in the Western Pearl River Delta region and in exceptional circumstances, greater China.

Market Overview

Gaming

The highlight of the quarter was the successful opening of Wynn Macau casino in September. This is the first true western-style casino to be established in the territory with 600 rooms, six gourmet restaurants, spa facilities and luxury shopping facilities and marks the first of a series of “mega” casinos to be opened over the next three years. In addition, the Sands Macau opened its extension in August adding 64,000 sq ft of gaming space, making it the world’s largest casino with 740 gaming tables and 1,254 slot machines. The first casino to operate under the Galaxy license, Galaxy Starworld, is scheduled to open by year end, followed by the Crown Plaza and the Grand Lisboa. The Las Vegas Sands Macau flagship, the US\$2.3bn, 3,000 room Venetian Macau topped-out in August and is on schedule for a soft opening in 2Q 2007.

Residential market

The overall property market was relatively subdued during the quarter, with activity in the primary and secondary residential markets remaining cautious. Some slight appreciation in average prices was reported, despite transaction volume declining 40% YoY. The outlook for the residential market remains positive on the back of strong economic fundamentals, however, the Manager remains extremely cautious of certain sub-sectors of this market as discussed above. Much of the anticipated demand for new residential projects has been replaced by a “wait and see” approach as more choices are presented by different developers. Commentators forecast marketing campaigns for up to 6,000 units will commence in the coming months.

Retail & Office market

The underlying fundamentals of these markets remain strong with retail sales up 20% YoY and average office transaction prices up 26% in the first six months of 2006. Despite this positive backdrop, the Manager believes it is important to focus on quality of location and composition of demand to ensure a successful project. As a result the manager remains extremely selective in the opportunities it proposes for investment consideration by the Company.

Infrastructure

Macau infrastructure projects continue apace, with the Macau-Taipa tunnel securing approval for construction which is due to commence in October, and work reaching completion on a new border crossing with China. It is understood that the final routing for the Macau light rail project should be finalised soon. The Manager believes this project is an important part of the overall public infrastructure plan and will contribute greatly towards easing current traffic congestion.

Economic Overview

The local economy continues to benefit from the booming gaming and tourism industries. Real GDP grew by 16.3 per cent in Q2 2006, mainly driven by exports of gaming services and tourism receipts. Gaming receipts and fixed capital formation remained as the key drivers, with gaming receipts increasing by 11%YoY in Q2 2006. Gross fixed capital formation grew by 60.1% YoY. The employment situation remained largely favourable on the back of the buoyant economy and the unemployment rate fell to 3.8 per cent in Q2 2006. The continued strong demand for labour has resulted in sizeable pay rises across the job market. The median monthly employment income in Q2 2006 rose by 13 per cent compared with the same quarter of 2005, further improving the already high housing affordability levels of the local population.

Key Economic Statistics	Period	Figure	YoY % Change
Unemployment Rate	Q2 2006	3.8%	-0.4% points
CPI	June 2006	108.62	+5.7%
Visitor Arrivals	June 2006	1,596,993	+11.4%
Gaming Receipts	H2 2006	US\$3.19 billion	+13%
Median Monthly Employment Income	Q2 2006	US\$805	+12.9%
Real GDP	Q2 2006	US\$3.36 billion	+16.3%
Retail Sales Value	Q2 2006	US\$317 million	+20.3%
Population	Q2 2006	503,500	+5.5%

Source: DSEC

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