

### Quick Facts

Listing Date	5 June 2006
Exchange Listing	AIM (London)
Total Shares Issued	105,000,000
Issue price	100p
Latest Share Price	58.75p
Market Capitalisation	£61,687,500
Stock Code	MPO
Max. Level of Gearing	60%
Current Gearing Level	0%
No. of Key Acquisitions	Five
Total Commitment	US\$294 million
Manager	Sniper Capital

All data as of 16 January 2009

### About the Fund

Macau Property Opportunities Fund Limited, managed by Sniper Capital Limited, is an AIM-listed investment company focusing exclusively on property development and investment opportunities in Macau and the surrounding Pearl River Delta region of Southern China.

The Company's core strategy is to take advantage of niche and undervalued opportunities in the property sector which are clearly differentiated in terms of both location and sustainability of end-user demand.

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### Quarterly Highlights

- Investor sentiment deteriorates in quarter
- Beijing reiterates support for Macau
- Long-term growth prospects remain intact
- Progression of development projects

### Fund Overview

The fourth quarter of 2008 has been an extremely challenging period for Macau. The global credit crisis, China visa restrictions and ongoing negative media coverage have severely impacted investor sentiment leading to weaker prices in the underlying property market. Although estimated price movements vary widely, the average capital value for high-end residential and mass market properties has dropped 21% and 26% respectively according to Jones Lang LaSalle. We are taking full advantage of these weaker conditions to source further attractive investment opportunities whilst maintaining our conservative cash management strategy.

**"We are taking full advantage of these weaker conditions to source further attractive investment opportunities."**

Our primary focus has been on progressing the planning and approval processes for MPO's development properties and implementation of asset management strategies for the Zhuhai logistics project, whilst continuing to pay careful attention to financing and ongoing working capital requirements. As at 31 December 2008, the Company had a cash balance of equivalent to US\$48.1 million.

### Manager Share Purchases

Sniper Investments Limited (SIL), a newly established investment vehicle connected to the Manager, has been actively acquiring

MPO shares during the period. As at 31 December 2008, SIL had established a total holding of 3,162,500 MPO shares representing 3% of the Company's issued share capital. This clearly demonstrates the Manager's confidence in the long-term prospects for both MPO and Macau's property market and its belief in the significantly undervalued level at which the stock is currently trading.

### Portfolio Summary

#### Investment properties

#### One Central (High-end):

The external envelope of One Central Residences is now complete and the internal fitting-out works for both the residential and retail portions are proceeding. The whole project is on schedule for completion by the end of 2009.



One Central, scheduled for completion in late 2009, occupies an unprecedented location on Macau Peninsula.

The current market sentiment has had a serious negative impact on pricing of One Central's residential units which has become the key benchmark for super luxury properties in Macau. These price drops, however, are based on extremely low transaction volume and seemingly driven by a few distressed sellers. On the positive side, many developers have delayed launches and development of new projects. As a result, on its completion in late 2009, we believe that One Central will be the first and only such property in the market for some considerable time.

*# Tom Ashworth and Martin Tacon, directors of the Company's Manager, Sniper Capital Limited, have a beneficial interest in Sniper Investments Limited and Mr Ashworth is also a non-executive director of the Company.*

## Portfolio Summary

Property	Commitment
One Central	US\$138m
Rua da Penha	US\$19.9m
Rua do Laboratório	US\$50.3m
Senado Square	US\$33.4m
Zhuhai Logistics Centre	US\$45m
Other Assets	US\$7.3m
<b>Total Commitment</b>	<b>US\$294m</b>

## Tables

**Table 1: Government's stimulus package proposal at a glance**

## Property-related

Down payment guarantee scheme for first-time homebuyers (property under US\$375,000)
4% interest subsidy for first-time homebuyers (property under US\$375,000)
Stamp duty cut from 3% to 1%

## Others

Increase in public infrastructure spending to US\$1.3 billion
Cut in personal income tax by 25%, increase in personal and corporate tax allowance
Medical vouchers
Electricity fee subsidy

**Table 2: Chinese government's new measures supporting Macau**

Start the construction work for HK-Zhuhai-Macau Bridge by the end of 2009
Conduct a study on infrastructure & transport network connecting Macau
Implement a development plan for Pearl River Delta region, facilitating economic integration of Macau into the region
Encourage Macau's participation in the development of Hengqin Island
Review a reclamation project along Macau's coastline
Expand the scope of Renminbi business in Macau

The Company's interim results for the period ended 31 December 2008 are expected to be announced in February 2009.

Following the in-principle loan agreement for MPO's remaining obligation in One Central signed in mid-2008, we are continuing to progress the legal documentation process with our banks and lawyers. This is nearing completion and we currently anticipate that the loan agreement in its final form will be ready for signing in Q1 2009. Discussions with banks regarding construction financing for MPO redevelopment projects have proven to be positive and these facilities shall be progressed further as planning approvals are received.

**Development properties****Rua da Penha (Niche Residential):**

The area around this site continues to be a popular location for local middle-to-upper income residents to live, given its convenient location and historic appeal. Our initial design concept for developing a low-rise apartment block has met with a positive response and architectural submission was made to the government during this quarter. Construction is expected to begin in 2009, once final approvals have been received for the project.

The market at which this project is targeted has been less affected by recent global events due to the high level of owner occupancy, absence of investor activity, limited supply and high level of mortgage availability within this market segment.

**Rua do Laboratório (Entry-level Residential):**

Rua do Laboratório will be redeveloped into affordable residential housing specifically designed for first-time buyers in the northern part of Macau. Demolition of the existing building commenced at the end of this quarter and consolidation of adjacent sites is still ongoing. We believe that this project will benefit from the new government stimulus measures aimed at encouraging local home ownership for first-time buyers purchasing their first flats valued at US\$375,000 or below (see Table 1).

**"The Chinese government has pledged full support for Macau by announcing a number of new measures."**

**Senado Square (Mixed-use):**

Located in the heart of the World Heritage district and the retail centre, Senado Square will be redeveloped into a prime retail mixed-use property. The planning process continued with the submission of initial architectural plans to the government. Whilst we await the government's feedback, we are continuing to research the optimal market positioning and tenant mix for Senado Square which will appeal to both tourists and the increasingly wealthy locals.

**Zhuhai Logistics Centre (Warehousing):**

In order to attract additional quality tenants and further enhance the rental yield, professional property managers and leasing agents have been appointed to actively manage and lease out the existing buildings. We are also in the process of shortlisting architectural firms for the development of a master plan for the adjacent vacant industrial land and workers' residential accommodation.

A number of new developments underscore the attractiveness of this acquisition, including the recent announcement that construction of the Hong Kong-Zhuhai-Macau Bridge will begin in 2009, shortening travel time and increasing connectivity between the 3 cities. It has also recently been reported that the Guangdong authorities plan to further expand the area by developing a tourism centre, including a theme park on neighbouring Hengqin Island.



Zhuhai Logistics Centre is just minutes away from Macau.

**Market Overview****Economy**

In the past few years, Macau has witnessed unprecedented economic growth and prosperity. In an attempt to ease the pressures that this growth was placing on Macau's infrastructure and to ameliorate concerns over problem gambling, the Chinese government introduced a range of cooling down measures, including visa restrictions on repeat visits. Unfortunately, the city simultaneously started to feel the impact of the global credit crisis with some casino developers struggling to raise sufficient capital for their ambitious development plans. As a result, GDP growth has slowed to 11.3% in Q3 compared with 26% in H1 2008.

In order to bolster the local economy, Macau's Chief Executive Edmund Ho announced a series of economic relief and stimulus measures in November 2008, ranging from US\$1.3 billion of public infrastructure spending, to tax and mortgage concessions, and cash handouts (see Table 1).

**China's full support**

The Chinese government has pledged full support for Macau by announcing a number of new measures in this quarter (see Table 2). For example, it will provide unprecedented funding of US\$730 million towards the cost of building the Hong Kong-Zhuhai-Macau

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Bridge to ensure that construction can start by the end of 2009.

In January 2009, the Chinese government for the first time unveiled a 12-year development blueprint for economic co-operation in the Pearl River Delta region between Macau, Guangdong (including Zhuhai) and Hong Kong. Under this plan, the Chinese government is committed to working closely with Macau to strengthen its status as a worldclass tourism hub.

**Gaming**

According to official data, Macau's casino revenue for the full year grew by 31% hitting a record high of US\$13.6 billion despite recording a drop of 5.7% YoY in December. Even after the recent slowdown, Macau is still the world's biggest gaming market in terms of gaming revenues.

**Tourism**

Visa restrictions imposed on mainland Chinese visitors have been the key factor contributing to the recent decline in growth of visitors to Macau. However, it is worth noting that the visa restrictions do not affect first time visitors from China, who constitute an important and growing segment of the market. There is ongoing speculation that the visa restrictions may be relaxed in 2009 and may even be widened to include more Chinese cities in the Individual Visit Scheme.

**“Macau's casino revenue for 2008 grew by 31% hitting a record high of US\$13.6 billion.”**

In 2008, Macau's visitor arrivals have surged 11% YoY to over 30 million, surpassing Hong Kong for the first time. Furthermore, Macau's tourism industry is becoming increasingly reliant on mainland Chinese visitors with strong growth being seen in visitor numbers from other parts of Asia.

**Casinos/Hotels**

Las Vegas Sands Corp. (LVS) has temporarily halted the construction of its remaining Cotai Strip projects, citing the difficult financing environment. Although the delay has led to job cuts, mainly in the construction sector, we believe that this is positive in the long run for both LVS and Macau. LVS can

now focus on maximising returns from its existing properties: Venetian Macao, Sands Macao and Four Seasons. Moreover, with 31 casinos, over 4,000 gaming tables and 17,000 hotel rooms, Macau has no shortage of capacity to cater for forecast growth in visitors in the coming years.

Many casino/hotel operators continue to give votes of confidence in Macau's future by announcing new projects:

- *Wynn Macau* - Construction of the fully financed *Encore* is progressing well and expected to open in Q1 2010.
- *Melco Crown Entertainment* - Its flagship project in Cotai, *City of Dreams*, remains on target to open by mid-2009.
- *Shun Tak Holdings* - It will introduce the world's leading luxury hotel brand, Jumeirah, to Macau by developing a new five-star hotel in Cotai scheduled to open in 2013.
- *Harrah's Entertainment* - It has unveiled plans to revamp its Cotai golf course into a premier golf lifestyle destination which will house Asia's first Butch Harmon School of Golf.

**Property Market**

There is no doubt that all sectors of Macau's property market have been hit in recent months due to weak investment sentiment. According to official data, the number of residential units sold in Q3 2008 plummeted by 43% compared to Q2. We believe that the sharp reduction is primarily driven by potential buyers adopting a "wait-and-see" attitude, given the current financial situation. To help stabilise the property market, the government has announced a string of measures designed to provide a stimulus particularly targeted towards local purchasers (see Table.1).

**Summary**

2009 will be a challenging year for both Macau and MPO. However, with Macau's powerful economic and demographic drivers further boosted by the recent initiatives introduced by the Macau and Chinese governments, we are confident that Macau is well-positioned to weather the fall out from the global financial crisis. In 2009, we will aim to take advantage of lower construction costs as we progress MPO's redevelopment projects and to capitalise on weaker market conditions to source further attractive investment opportunities.

**Did You Know?**

Culinary bible Michelin launched its first edition of "Michelin Guide - Hong Kong & Macau" in December 2008. The guide features 33 restaurants in Macau and the renowned French chef Joel Robuchon's restaurant Robuchon a Galera, in Macau's Grand Lisboa casino resort, was awarded three stars.