

# INVESTOR UPDATE Q4 2013



Christmas decorations at Galaxy Macau.

## QUICK FACTS

Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£180 million
Latest Share Price	220p
Portfolio Valuation	US\$475 million <sup>1</sup>
Loan-to-Value	24% <sup>2</sup>
Adjusted NAV per share	US\$4.13/255p <sup>1,3</sup>
Discount to Adjusted NAV	15.29%

<sup>1</sup> As at 30 September 2013.

<sup>2</sup> Assuming a full drawdown of MPO's committed credit facilities and based on portfolio value as at 30 September 2013.

<sup>3</sup> Based on a US\$/£ exchange rate of 1.6183 as at 30 September 2013.

All remaining data as at 31 December 2013.

## About the Fund

Macau Property Opportunities Fund Limited is a closed-end investment fund registered in Guernsey and listed on the London Stock Exchange main market.

Launched in 2006, the Fund targets strategic property investment and development opportunities in Macau and Mainland China's western Pearl River Delta. Its current US\$475 million portfolio comprises a mix of well-positioned residential, retail and logistics property assets.

The Fund is managed by Sniper Capital, an Asia-based property investment manager with a track record of consistent performance in real estate fund management, investment and advisory.

[www.mpofund.com](http://www.mpofund.com)

MANAGED BY  Sniper Capital

Gaming revenues rose by 19% in 2013, to US\$45 billion, cementing Macau's position as the world's gaming capital. *The Fountainside's* sales campaign is due to launch in January, ahead of the Chinese New Year holiday.

## At a Glance

- **The Fountainside sales campaign to commence.** This follows the receipt of its full sales licence, delayed due to recent changes to legislation.
- **Renovation works at The Green House completed.** Further refurbishment works have been undertaken to maximise the value of this exclusive asset.
- **The Waterside occupancy levels remain strong.** 91% occupancy as at end-Dec, with average monthly rental rates of HK\$23.57 per sq ft.
- **Record year for gaming revenues.** 2013 gaming revenues hit an all-time high of US\$45 billion, 19% YoY growth – seven times more than Las Vegas.
- **Senado Square development progressing.** We remain focused on attaining government approvals in order to further advance the project.
- **Luxury property prices move higher.** Demand for well-positioned luxury properties remains strong, with several new price records achieved during the quarter.

## Fund Update

The Fund repurchased and cancelled 5 million shares in December at a price of 202.5p per share. The share buy back represented 5.65% of MPO's outstanding shares, reducing the number of shares outstanding to 83,500,000. MPO's share price discount has narrowed from 22% to 15% as at the period end. The Board remains actively committed to buying back shares at attractive discounts to Adjusted NAV.

Total debt stands at US\$126 million, equating to a loan-to-value ratio of 24%.

The Fund's latest Adjusted NAV per share as at 30 September 2013 was US\$4.13 or 255p in Sterling terms. Adjusted NAV as at 31 December 2013 will be published with its interim results, which will be announced in late February 2014.

## Portfolio Overview

### *The Fountainside*

*The Fountainside's* full sales licence has been received from the Land, Public Works and Transport Bureau, allowing for the commencement of the project's final sales campaign. This will include 20 remaining units – consisting of 14 standard apartments, two duplexes

and four villas, with the latter featuring amenities such as a private garden and garage. Targeted at high net-worth individuals, the villas collectively account for over 30% of *The Fountainside's* total value.

Application for the development's Occupancy Permit was submitted in early December and approval is expected in H1 2014. Once received, any sold units can be handed over to buyers – targeted by mid-2014.

The property is now substantially completed, with all main lobby, external facade, pavement and road works around the property carried out and with minor defect rectification ongoing.

### *The Waterside*

Occupancy levels and tenant mix at *The Waterside* remain stable around 90%. Average net monthly rental rates increased 4% QoQ to HK\$23.57 per sq ft as at end-2013 – up 10% over the year. We remain focused on maximising rental values given the rising demand for luxury accommodation in the city.

With only the two duplexes remaining available for lease, our priority is on securing tenants for these 4,400 sq ft apartments as soon as possible.

Our on-going PR campaign targeting lifestyle and property media from

## Special Feature



DFS is looking to increase floor space by 40% at its two existing Macau stores.

### Tax-free delight

DFS Galleria, an operator of duty-free shops under the LVMH Group, plans to increase its presence in Macau. DFS is looking to increase floor space by 40% at its two existing stores in Macau to cope with the increasing number of Chinese tourists.

According to DFS chief operating officer Michael Schriver, DFS gets more than half its global sales from Chinese shoppers. DFS also has plans to open stores in Europe to cater to Chinese travellers.

Chinese shoppers registered a 26% YoY increase in global tax-free shopping in the third quarter. This increase has outpaced global Chinese tourism, which saw an increase of 15% over the same period last year.

Global Blue, which runs a transaction service for international tax-free shopping, says the increase is due to more Chinese venturing to Europe. Convenience and accessibility to short-haul, tax-free destinations such as South Korea, Japan and Singapore have also contributed to this growing phenomenon.

The Chinese remain the largest group of global tax-free shoppers.

Mass market gaming will increasingly drive Macau's gaming revenue.



The dining area in one of *The Fountainside's* villas.

China and Hong Kong has generated media coverage in publications such as Shangliu Tatler and Macau Tatler magazines.

### Senado Square

We continue to work in tandem with the relevant government bodies to gain the necessary design, planning and construction approvals for this delayed but promising project.

Response to the formal planning application process is expected to be received during the first half of 2014, following which a full structural submission can be prepared for ultimate approval, which remains our top priority.

### APAC Logistics Centre and Cove Residence

As previously reported, the Fund entered into a provisional agreement to sell both Zhuhai properties for a combined total of RMB392 million (US\$64 million)\* last July. Subsequently, a non-refundable security deposit of RMB40 million was received in August. The sale is scheduled to be completed by March 2014.

\*Based on a US\$/RMB exchange rate of 6.1154 as at 23 August 2013.

### The Green House

Renovation works have been undertaken to enhance the property so as to make *The Green House* even more attractive to potential buyers. Works include painting of the property's interior and facade, re-tiling and lighting works.

While we continue to receive offers on the property, given the rarity of detached houses in Macau, we will continue to retain *The Green House* as a core portfolio holding until a sufficient price premium has been achieved.

### Macau Overview

Macau played host to a slew of high-profile non-gaming events during the quarter. Philippine boxing legend and eight division World Champion, Manny Pacquiao, fought a championship bout at The Venetian to much global media fanfare. Celebrities such as David Beckham and Paris Hilton were present

## PROPERTY MARKET OVERVIEW

There were several notable property transactions in the quarter.

Two residential sites in neighbouring Hengqin were sold for record prices – RMB1,673 per sq ft (US\$274) and RMB1,710 (US\$280) per sq ft respectively, with lump sum prices registering at RMB5 billion and RMB6 billion respectively.

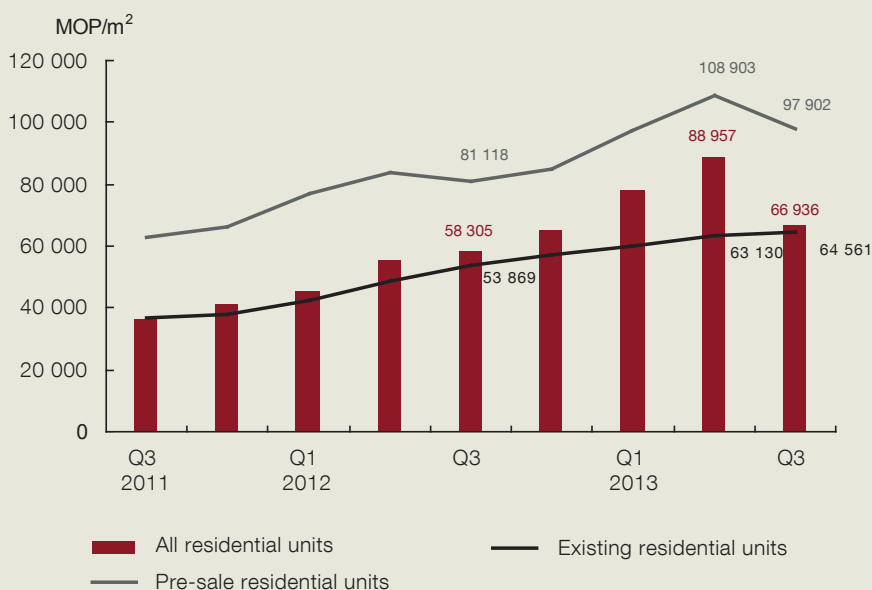
A penthouse in One Central, a luxury property development located on the Macau Peninsula, was sold for more than HK\$23,000 (US\$3,833) per sq ft. In December, a 3,000 sq ft unit at One Grantai, a luxury property development in Taipa, was sold for HK\$8,700 (US\$1,122) per sq ft. Another luxury property development in Taipa, One Oasis, was transacted for HK\$8,800 (US\$1,135) per sq ft.

Nova Park, a residential development in Taipa that is expected to be completed by end-2014, launched its second sales phase in November, where all 120 units sold out in a day at an average price of HK\$8,500 (US\$1,417) per sq ft. The unit mix was made up of mainly one- and two-bedroom units.

Several luxury and mid-tier residential developments are also expected to complete in Q1 2014.

According to Macau's Statistics and Census Service, a total of 3,193 building units and parking spaces were purchased and sold at US\$1.7 billion in the third quarter. The average price of existing residential units was US\$750 per sq ft, up 2% QoQ.

### Average price of residential units



for the match, which saw Pacquiao notch up another win.

Alicia Keys played a sold-out concert at The Venetian in November, and The Rolling Stones are scheduled to play at the same arena in March 2014. The continuing evolvement of such high profile non-gaming activities is gradually improving Macau's international appeal.

## Gaming Revenue

It was another record year for Macau's gaming market. Gaming revenues exceeded analyst expectations to hit a record high of US\$45 billion, 19% more than a year earlier. In December, gaming revenues grew 18.5% YoY to reach US\$4.19 billion, due largely to an increase in holiday-season visitors.

Analysts expect conservative growth for the gaming market in 2014, as there will not be any new casino openings until 2015.

Mass market gaming will increasingly drive Macau's gaming revenue. In a continued move away from dependence on the VIP segment, gaming operators are placing considerably more focus on the higher margin and larger market for 'premium mass' players. Sands China is opening a new premium mass gaming area at Sands Cotai Central in early 2014. Four Seasons Hotel Macau is also likely to become a dedicated premium mass table gaming location with 100 tables.

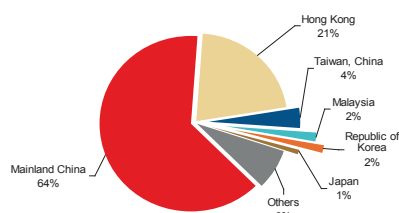
## Visitor Arrivals

Visitor arrivals are estimated to have reached 30 million in 2013. November

saw 2.4 million visitors, an increase of 2%, out of which Mainland Chinese visitors accounted for 64% of total visitors.

As at end-November, there were a total of 26.7 million visitors, a YoY increase of 5%. The average length of stay of visitors was one day, with overnight visitors staying an average of two days.

Place of Residence of Visitors

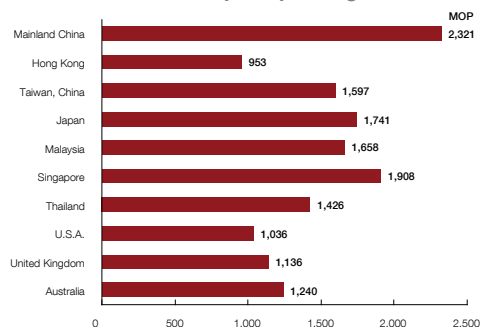


## Visitor Expenditure

Total visitor expenditure (excluding gaming expenses) is expected to have hit US\$8 billion last year. In the third quarter, visitor spending amounted to US\$2 billion, a notable YoY increase of 12%.

Average per-capita spending of visitors was US\$238, an increase of 5% over last year's figures.

Per-capita Spending



Alicia Keys played to a sold-out crowd at The Venetian in October last year.

## FOR FURTHER INFORMATION

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### Stock Codes:

Bloomberg: MPO LN  
Reuters: MPO.L

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