



Macau's central Nam Van entertainment district

## HIGHLIGHTS

- First divestment for MPO
- Strong rental growth at *The Waterside*
- Presales continue at *The Fountainside*
- New record for Macau gaming revenues

## OVERVIEW

Riding on the solid momentum of 2010, Macau saw a strong start to 2011. Gaming revenues surged almost 50% in February to set a new monthly record of US\$2.5 billion and monthly visitor arrivals remained robust at over 2 million. Furthermore, the local property market showed signs of narrowing the gap with Hong Kong, which it significantly lagged last year.

During the quarter, MPO agreed terms for its first divestment – the *Rua do Laboratório* project – and made positive progress at its current residential projects – *The Waterside* and *The Fountainside*.

## FUND UPDATE

### MPO announces interim results

MPO's property portfolio valuation was up 5.2% for the six months ended 31 December 2010 to US\$333.2 million, taking the year-on-year increase to 8.4%. The Company's Adjusted NAV recorded a 3.2% uplift for the six month period to US\$2.58 or 161p based on a Dollar/Sterling exchange rate of 1.60 as at 29 March 2011.

## PORTFOLIO SUMMARY

### Sale of *Rua do Laboratório*

MPO has entered into an agreement to sell its *Rua do Laboratório* project to a local developer for a total consideration of HK\$320 million (c. US\$41 million). The sale, due to be completed in April, will result in a net profit of HK\$148 million (c. US\$19 million) or a gross return on investment of 84%.

The decision to dispose of *Rua do Laboratório* prior to the completion of its full development cycle allows MPO to capitalise on the value creation already achieved, while avoiding any potential planning, construction and marketing risks. The sale also mitigates exposure to the mass market residential segment where there is a risk of oversupply with more than 38,000 units currently under construction.

### *The Waterside* sees occupancy and rental growth

*The Waterside* continues to witness positive leasing progress, with 32 or almost 60% of the standard units leased as at the end of March 2011. In addition, the first of the property's five special units – a high floor simplex – was leased ahead of schedule in February 2011.

To date, 55% of *The Waterside*'s total gross floor area (GFA) has been leased. Latest achieved rents were 16% higher than those of the preceding quarter at an average per square foot rate of HK\$22 (c. US\$2.80) per month.

*“The Company has achieved its first divestment and made positive progress at The Waterside and The Fountainside.”*

### SPECIAL FEATURE



#### Macau: In a class of its own

Macau is the world's biggest gaming market by far – the territory's gaming revenues are now double those of Nevada and New Jersey combined. Indeed, figures show that one of Macau's casino groups – SJM – has revenues that exceed the whole of the entire Las Vegas Strip.

CLSA expects Macau's nearest rival, Singapore, to hit gaming revenues of \$6.5 billion this year, on par with that of Las Vegas, but behind Macau's \$30 billion. By 2012, Singapore is expected to rake in \$8.1 billion, ahead of Las Vegas at \$6.8 billion but still a fraction of Macau's forecasted \$34.7 billion.

With a total floor space of 10.5 million square feet, the Venetian Macau ranks among one of the largest buildings in the world. On an average day, the casino attracts around 75,000 visitors daily – three times that of its sister property in Singapore, the Marina Bay Sands.

Looking ahead, 16% of *The Waterside's* total GFA will be up for renewal over the next few months. Riding on the current positive sentiment in the high end residential leasing segment, we are optimistic that *The Waterside* should deliver strong rental reversions in 2011.

Fit out works for the three simplex and two duplex apartments were recently completed. The targeted marketing campaign to further establish *The Waterside* brand continues, with a media launch party of the showcase duplex to be held in April 2011.

#### Ongoing sales at *The Fountainside*

The launch of the public sales programme for *The Fountainside* – following healthy VIP sales since late 2010 – has been well received, with 17 or 50% of standard apartments sold to date. In addition, one special unit – a terrace apartment – has been sold to a Hong Kong buyer.

The development programme of this low density, well located property continues to make good progress. Piling and foundation works are now at an advanced stage and substructure and superstructure works are scheduled to begin by the end of April. The project is on schedule to complete by the middle of 2012.

#### APAC Logistics Centre to begin construction

Construction of MPO's first development project in mainland China is scheduled to commence imminently following the receipt of relevant architectural planning approvals. Meanwhile, leasing negotiations with prospective tenants are continuing.

Completion of *APAC Logistics Centre's* first industrial buildings and residential block is expected for Q1 2012 and Q2 2012 respectively.

#### Anticipated delay at Senado Square

Architectural approval for this prime retail redevelopment project remains pending due to ongoing negotiations with the relevant government departments.

In the meantime, there is continued investor interest and activity in the surrounding retail areas of Senado Square, with reported transactions reflecting strong positive momentum in both rental and capital values.

### MACAU OVERVIEW

#### Economy to keep growing in 2011

The University of Macau forecasts that the economy will grow 15.7% in 2011, following the official growth rate of 26% in 2010.

Unemployment is at a low of 2.7%, while Macau's GDP per capita rose by a third to US\$50,000 – higher than developed Asian economies such as Singapore (US\$48,000) and Japan (US\$41,000).



Duplex rendering of *The Waterside*



Excavation and lateral support works were recently completed at *The Fountainside*



*“The Macau residential property market is showing signs of catching up with Hong Kong.”*

### **Buoyant residential market**

Macau's residential property market – which lagged Hong Kong by as much as 15% in 2010 – is showing signs of catching up. Buoyed by an energetic pre-sales market, and the imminent opening of Galaxy Macau, residential transactions rose 19% from a year earlier to reach 1,541 in January. In monetary terms, housing transactions in Macau were worth US\$474 million – a 20% uplift from January 2010.

### **Limited supply through 2013**

According to real estate agency, Midland Macau, the number of completed apartment units will drop sharply in 2011 and even more in the next two years, as the government has tightened its grip on the approval of new projects.

The supply-demand gap will start to narrow from 2014, when current pre-sales projects are completed. Q1 2011 saw more than 600 units (or over 80%) at Phase Two of One Oasis in Coloane sold at an average selling price of US\$625 per square foot. Phase Two of La Baie Du Noble in the Pearl Oriental district also sold over 80% of its first batch of 300 units at an average unit price of US\$500 per square foot.

Other projects expected to be launched in the first half of 2011 include the China Estate project in Taipa, the Paragon project in NAPE and One Guia Hill in Guia Hill.

According to Midland Realty, the low supply of new developments coming on stream, coupled with the continued popularity of Macau as a tourist destination and the increasing affluence of its population, is likely to see the turnover in the residential property market jumping 20% year-on-year to 20,000 transactions worth US\$6.4 billion in 2011.

### **Pre-sales to face tougher rules**

The Government has proposed stricter rules to regulate the pre-sales provisions of new properties. According to the new proposal, new properties will not be approved for pre-sales without the preliminary approval of the strata-title registration, construction permit and the completion of the foundation works.

### **Gaming revenues surge to new high**

Macau's February gaming revenues rose 48% year-on-year to set a new monthly record of US\$2.5 billion. This broke the previous monthly record of US\$2.4 billion, set just two months earlier in December 2010. In the first two months of 2011, casino revenue rose 40% year-on-year to reach US\$4.8 billion.

Galaxy Macau is scheduled to open on 15 May. The US\$1.9 billion Asian-themed investment spanning 5.9 million square feet will feature 500 tables and 1,500 slot machines, 2,200 hotel rooms and 50 food and beverage outlets, in addition to the world's biggest rooftop wave pool.

### **New non-gaming attraction**

In February, a US\$3 million ice gallery and ice rink attraction opened at Fisherman's Wharf. They are part of a US\$19 million investment project by Russian company, MMG Productions, which plans to open the second phase of a 32,300 square foot indoor Winter Park at the same property in 2012. The target is to receive about 2,000 visitors per day.



### Further Pearl River Delta integration

The last part of the Guangzhou-Zhuhai light rail to the Macau border is expected to be completed by the end of 2011. On completion, travelling time from Guangzhou to Macau will be cut by more than half, to less than an hour.

The Guangdong/Macau Co-operation Framework Agreement was signed in early March. Specific approaches to allow Macau vehicles entering Hengqin Island without a Zhuhai-issued car license plate are expected to be formulated before the end of 2011.

The Border Gate to Zhuhai – Macau's busiest checkpoint – is expected to have its operating times extended by two or three hours by early 2012. Currently, the Border Gate is open from 7am until midnight.

## CONCLUSION

It has been a significant first quarter for MPO, with the Company achieving its first divestment and making good progress on its asset management programmes and development projects.

The Company will continue to focus on reviewing strategic options to crystallise shareholder value at the appropriate time, while seeking to capitalise on Macau's sustained rapid economic growth and the shift of policy focus to the non-gaming sector:

### QUICK FACTS

Listing Date*	30 June 2010
Exchange	London Stock Exchange
Stock Code	MPO
Issue Price	100p
Latest Share Price	127.75p
Market Capitalisation	£134.14 million
Latest Adjusted NAV	US\$2.58 (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 1.599

All remaining data as at 29 March 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.

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

### Manager

Sniper Capital Limited  
26/F Jubilee Centre  
42-46 Gloucester Road  
Hong Kong

### Investor Contact

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

### Investment Adviser

Sniper Capital (Macau) Limited  
918 Avenida da Amizade  
14/F, World Trade Centre  
Macau

### Corporate Broker

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

### Company Secretary and Administrator

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

### Public Relations

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

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.