



HIGHLIGHTS

- The Waterside reaches 75% occupancy
- The Fountainside begins superstructure work
- Initial leasing interest for Zhuhai projects
- Hengqin – a further boost to Macau's growth

OVERVIEW

MPO made several advancements during the last quarter: *The Waterside* occupancy rate reached a new high; *The Fountainside* commenced its superstructure work, while Zhuhai projects, which are approaching completion, drew initial leasing interest.

Despite the on-going property correction in mainland China, Macau's property market remained buoyant, driven by strong demand for a number of new residential projects and the anticipated opening of Macau's most expensive casino resort, Sands Cotai Central, in April. Residential prices in the territory have now risen against general weakness in Hong Kong and China for three consecutive quarters.

FUND UPDATE

MPO's most recent adjusted NAV per share as at 31 December 2011 was US\$2.78 (175p*), up from US\$2.72 six months earlier. The market valuation of the Company's properties stood at US\$344.3 million – an uplift of 5.1% on a like-for-like basis over June valuations while loan-to-value remained unchanged at 24%.

**Based on a Dollar/Sterling exchange rate of 1.593 as at 12 April 2012.*

PORTFOLIO SUMMARY

At **The Waterside**, MPO's luxury en-bloc tower located in One Central Residences, one of two 4,500 square feet duplex units was leased, lifting occupancy to 75% - the highest level since leasing began in early 2010. The latest achieved rents for both new and renewed leases in Q1 2012 were approximately 8% higher than a year earlier, equating to a yield per square foot of 2.3%.

To further widen the choices for potential tenants seeking upscale leased accommodation, *The Waterside* recently launched *The Sapphire Suites*, a special collection of eight high-floor units with luxurious furnishings and exquisite artwork and ornaments. Priced at a premium to the project's standard units, the introduction of *The Sapphire Suites* follows a period of strong rental and occupancy growth at *The Waterside* and further cements the property as one of Macau's sought-after residential address.

Superstructure work at **The Fountainside** - a niche, low-density residential redevelopment - has commenced, following completion of foundation and basement work and the receipt of the necessary government licences. This 80,000 square feet project featuring 38 apartments and four villas is scheduled for overall completion by year-end and handover to buyers in early 2013.

“MPO continues to seek value-accretive acquisitions that will expand its footprint in Macau and Mainland China.”

SPECIAL FEATURE



Ferry and yacht marina

Beyond Oysters

Hengqin Island, once a rural community, is famous for its oysters. But the Central government has a wider vision for its future.

According to the recent Deepened Regulatory Plan of the Hengqin New Area, the largest island in Zhuhai will soon feature a comprehensive range of facilities – a transportation hub, yacht and ferry marina, cultural centre, and a host of entertainment facilities – all set within a unique ecological landscape corridor along the Tianmu River.

These projects will add to the current developments – including the Chime Long International Ocean Resort, Traditional Chinese Medicine Industrial Park, Macau University (Hengqin campus) and Shizimen CBD.

The transformation of Zhuhai's largest island into a leisure and cultural will broaden the appeal of Macau and strengthen its position as a tourist destination.

Planning for the second wave of the marketing and sales programme to promote the remaining 22 prime units is underway. This follows a well-received pre-sales programme in early 2011 which saw 34% of the total project's gross floor area sell out.

The first phase of **APAC Logistics Centre's** development will conclude imminently, with fit-out completed by mid-2012, adding 250,000 square feet of modern warehousing and logistics space to the existing 205,000 square feet facility. Meanwhile, the master plan for the Zhuhai Free Trade Zone is under revision to improve the area's synergies with the on-going developments of nearby Shizimen Central Business District, Hengqin Island and the Hong Kong-Zhuhai-Macau Bridge. Pending final approval, this may allow *APAC Logistics Centre* to expand the land use and site area of its second and third stages of development.

Cove Residence, acquired jointly with *APAC Logistics Centre* in 2008, is on track towards completion in mid-2012, with fit-out to follow by year-end. This 215,000 square feet project has received positive initial leasing interest from prospective tenants.

Discussions with the relevant government departments on MPO's 70,000 square feet flagship retail development, **Senado Square**, are now at advanced stages. The concept design has been finalised, while planning submission is scheduled for mid-2012.

MPO continues to seek value-accretive acquisitions that will expand its footprint in Macau and mainland China. With a preference for undervalued properties in niche sectors, MPO is assessing the investment potential of 14 multi-sector opportunities with a combined value of approximately US\$500 million.

MACAU OVERVIEW

Key drivers anchored in strong growth

Macau continued its solid growth momentum into 2012 after concluding last year with a GDP growth of 21%. In Q1 2012, Macau's main growth engine, gaming, had already brought in US\$9.3 billion in revenue, a 27% YoY increase, surpassing Las Vegas's full year figure in 2011. Having seen Macau exceed the initial gaming growth estimates of 10-20%, analysts have revised upward their projections of Macau's 2012 gaming growth to 20-25%. Deutsche Bank also expects Macau's gaming industry to broaden out in the long run as its mass market segment's growth begins to outpace that of the VIP segment.

Given the close relation between Macau and mainland China, investors are inevitably concerned about China's slowing economy. The Chinese central government trimmed its growth forecast to an eight-year low of 7.5% from 8%, while the World Bank projected a 5-6% growth by 2015. However, we remain confident in Macau's sound fundamentals: a tight labour market, a high GDP per capita and the government's strong fiscal position, but are also aware that Macau's fast growing economy also presents inflation risks which may lead to rising construction costs. We will persist in effective cost reduction strategies and astute project management to mitigate any adverse inflation impact.



The Sapphire Suites – The Waterside's new collection of luxurious apartments



The Fountainside's superstructure work is well underway



New launches provide firm support

While some investors are understandably concerned about the potential knock-on effect of China's property correction, we believe that Macau's unique growth drivers and demographics will continue to fuel demand for local real estate across all market segments.

In fact, growth of property prices in Macau outperformed that of both China and Hong Kong over the previous three quarters. We believe that this trend will continue, ultimately resulting in a significant narrowing of the current 65-70% discount to neighbouring Hong Kong.



According to the Financial Services Bureau, latest housing price levels in February 2012 stood at US\$480 per square foot, 5% higher than six months earlier. An average of 560 homes were sold in the first two months of 2012 and according to local real estate agency Ricacorp, robust sales of high-end projects - La Scala, One Oasis and Nova Park - are expected to lift home sales beyond 1,000 in March 2012. Similarly, capital values of Macau's residential properties, according to Jones Lang LaSalle, will be underpinned by rising rentals, which are expected to increase by 10-15% this year.

On the retail side, Midland Realty and Centaline expect rentals to grow by 10-25% in 2012, corresponding with Macau's expanding retail industry. Latest transactions suggested that rentals at Senado Square, Macau's prominent shopping belt, had increased 40% YoY to reach US\$17 per square foot per month. This bodes well for MPO's flagship retail development, *Senado Square*, which has benefited from its strategic location and ever-increasing demand for retail space.

In China, residential property in 70 cities continued to dip for the fifth consecutive month. However, China's burgeoning domestic retail economy – which expanded 17% in 2011 – continues to support the growth of international-standard logistics facilities which, due to their scarcity, are able to charge a premium of 30% to lower-tier facilities. Industrial rents in Zhuhai currently stand at around US\$2.40-3.20 per square foot per month and are expected to continue their uptrend given the logistics industry's key role in driving the Chinese city's growth.

Macau's non-gaming industries are also expanding steadily. Its retail sector grew 30% YoY to US\$5 billion in 2011, while non-gaming spending increased 20% YoY to reach US\$5.7 billion. Improved infrastructure such as the Macau Light Rail Transit, the Hong Kong-Zhuhai-Macau Bridge and three new possible ferry routes are anticipated to boost visitor arrivals by 14% to 32 million in 2012, according to Union Gaming.

“Growth of property prices in Macau outperformed that of both China and Hong Kong over the previous three quarters.”



Strong development progress at Cove Residence, which is due to complete by year-end

Launch of Sands Cotai Central to support Macau's continued growth

Sands Cotai Central, by far the most expensive casino project in Macau at US\$4.5 billion, opened in April 2012. Comprised of 6,000 hotel rooms – almost a third of Macau's current hotel capacity – the project will feature the largest hotel properties of global hospitality chains Sheraton, Conrad and Holiday Inn.

CONCLUSION

Rapid infrastructure improvements within and surrounding Macau, especially Cotai and Hengqin, are set to deepen economic integration in the region. The new master plan for the Zhuhai Free Trade Zone, in particular, is a positive development for the area, including MPO's existing investments.

We continue to prefer the premium residential market and retail sectors, and will continue to progress potential investment opportunities, with the overriding objectives of maintaining growth and delivering superior returns to shareholders.

QUICK FACTS

Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£112.75 million
Portfolio Valuation	US\$344 million
Loan-to-Value	24%
Adjusted NAV per share	US\$2.78/175p*
Share price	110p
Discount to NAV	37%

*Based on a US\$/£ exchange rate of 1.593 as at 12 April 2012
All remaining data as at 12 April 2012

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 Company seeks to deliver long-term returns from the investment in and development of high quality properties located in Macau and the western region of China's Pearl River Delta. Its current US\$350 million portfolio comprises a mix of strategically-positioned residential, retail and warehousing property assets.

The Fund is managed by Sniper Capital, an Asian-based property investment manager that provides highly focused Fund Management and Advisory Services.

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Reuters: MPO.L

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