

INVESTOR UPDATE Q1 2013



Chinese New Year decorations in MGM Macau.

QUICK FACTS

Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£132 million
Share price	£1.41
Portfolio Valuation	US\$392 million ¹
Loan-to-Value	24% ²
Adjusted NAV per share	US\$3.19/£2.10 ^{1,3}
Discount to Adjusted NAV	32.86%

¹ As at 31 December 2012.

² Assuming a full drawdown of MPO's committed credit facilities and based on portfolio value as at 31 December 2012.

³ Based on a US\$/£ exchange rate of 1.5193 as at 28 March 2013.

All remaining data as at 28 March 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 Company targets strategic property investment and development opportunities in Macau and Mainland China's western Pearl River Delta. Its current \$392 million portfolio comprises a mix of well-positioned property assets.

The Fund is managed by Sniper Capital, an Asia-based property investment manager with an established track record.

www.mpofund.com

MPO divested *The Sky House* for US\$19.4 million in March, capitalising on strong demand for unique luxury private homes in Macau. The Fund also made further progress on its low-density residential development *The Fountainside*.

At a Glance

- ***The Sky House* divested for US\$19.4 million.** The transaction resulted in a net profit of US\$6 million and generated a return on equity investment of 92%.
- **A further 1% of MPO's shares repurchased.** The Board remains fully committed to further share buybacks at meaningful discounts.
- **Finishing and fit-out works at *The Fountainside* in the final stages.** Works are scheduled to finish by the end of July.
- ***Senado Square* architectural plans formally submitted.** We expect final planning consent to be formally granted by early 2014.
- **Zhuhai projects enter final stages of development.** Occupancy Permits for *APAC Logistics Centre* and *Cove Residence* are due shortly.
- **Property sales in Macau hit an all-time high.** Annual aggregate value reached US\$12.6 billion in 2012, a notable increase of 32.3% YoY.

Fund Update

MPO's interim results were released in February. Adjusted NAV per share registered an uplift of 14.9% YoY and 6.2% over the June figure (in US\$ terms), to US\$3.19 or £2.10¹.

Following the repurchase of more than 5% of the Company's shares in December, the Fund's share price has seen an uplift of 18% since the start of the year, reaching £1.41 as at 28 March 2013. A further one million shares were repurchased at £1.40 per share towards the end of the quarter. The Board remains fully committed to further share buybacks at meaningful discounts.

The Fund's performance as at 31 March 2013 will be published in the Interim Management Statement in early May.

¹ Based on a US\$/£ exchange rate of 1.5193 as at 28 March 2013.

Portfolio Overview

The Sky House, an iconic 8,200 square feet penthouse located in Tower 3 at One Central Residences, was sold for US\$19.4 million during the period – a 23% premium to the latest valuation of the property as at 31 December 2012. The divestment, which resulted in a net

profit of US\$6 million and generated a 92% return on equity investment, reinforces MPO's overriding objective of crystallising value and maximising returns for its investors.

At our cornerstone investment asset **The Waterside**, occupancy levels have slipped slightly to 75%. The dip is partly seasonal as well as linked to our efforts to improve tenant quality, which goes hand-in-hand with our primary focus of driving rental growth. Seven expiring leases were renewed at the end of February, achieving an average rental increase of 8% since the end of 2012. Average net yields are now 2.5% per square foot, equivalent to HK\$21.23 (US\$2.73) per square foot per month.

A new website for the property will be launched soon and various local media meetings have been conducted in Guangzhou and Singapore as part of an ongoing campaign to increase awareness and further promote the property.

Finishing and fit-out works at **The Fountainside**, the Fund's low-density residential development, are scheduled for completion by the end of July. We are also aiming for fit-out works on a 'show' Villa – an integral part of the final sales programme – to be ready in April.



Finishing and fit-out works at *The Fountainside* are in the final stages.

Special Feature



The 140km Guangzhou-Zhuhai Light Rail connects Zhuhai's Gongbei Port (Macau's Border Gate) to the Guangzhou South Station in just 80 minutes.

Guangzhou-Zhuhai Intercity Railway promises greater connectivity

The Guangzhou-Zhuhai Intercity Railway started operations in January. The 140km rail project connects Zhuhai's Gongbei Port (Macau's Border Gate) to the Guangzhou South Station in just 80 minutes. Coaches making the same journey often take more than two hours. The Intercity Railway has helped fuel visitor volumes, with Gongbei Port experiencing a record-high 467,215 crossings during the first three days of the Lunar New Year.

Construction of an extension from Zhuhai's terminal station at Gongbei has started, in an effort to link the Guangzhou-Zhuhai Intercity Railway system with the Hengqin area. The extension will take two to three years to finish, which is in line with the completion of the Taipa section of Macau's Light Rapid Transit (LRT) system in 2015.

Once the LRT and Intercity Railway have been finalised, there will be a seamless connection of the two railway systems in Hengqin, which will be linked to Macau's Cotai Strip by a cross-river tunnel.

The divestment of *The Sky House* reinforces MPO's overriding objective of crystallising value and maximising returns for its investors.

Following a pre-sale of 20 standard units in early 2011, the remaining 22 units – consisting of 16 additional standard apartments, two duplexes and four villas – are scheduled to go on sale by mid-2013. The property is expected to obtain its OP in the second half of this year, following which the sold units will be handed over to buyers.

We made the first architectural submission for the Fund's flagship retail development **Senado Square** at the start of the year. As the property is located in a heritage-rich area, we continue to liaise closely with all the relevant authorities to ensure our latest architectural submissions complement the surrounding area. We currently expect the formal planning application process to be completed by the end of the year, and for construction to begin in early 2014.

We continue to receive interest for **The Green House**, a luxury private home which offers exclusivity in a central locale. We expect demand for these types of iconic assets – a scarcity in Macau – to remain strong and will therefore only consider divesting once a sufficient price premium has been achieved.

Our Zhuhai properties, **APAC Logistics Centre (Phase 2 of 3)** and **Cove Residence**, are in the final stages of development and we are in active negotiations with potential tenants. Internal and external finishing works at both properties have now been completed. *APAC Logistics Centre* will be receiving its OP shortly, and minor defect rectifications are nearing completion. Final government inspections are expected to take place this month.

There have been some minor delays at **Cove Residence** due to additional power cable works which impacted road and underground utilities construction. This work is now underway and we are focused on ensuring that all works are completed soon. We expect to receive the OP for this property in May.

PROPERTY MARKET OVERVIEW



Home prices continued to increase in January, registering 5.8% MoM growth.

Macau's property market remains buoyant in spite of cooling measures introduced by the government six months ago. Home prices continued to increase in January, registering 5.8% MoM growth. The average transaction price of residential space grew to US\$865 per square foot, with luxury residential units driving this growth.

Demand for new residential properties has also been strong, with mid-end developments priced at an average of US\$900 per square foot, and luxury properties at an average of US\$1,300 or more. Average unit prices at recent mid – to high-end property launches ranged from US\$900 to US\$1,200 per square foot. While there may be the possibility of further cooling measures implemented given the current market situation, we expect demand to persist due to the continued lack of housing supply, and this should bode well for the final sales phase of our low-density residential development, *The Fountainside*.

In 2012, the annual aggregate value of property sales hit an all-time high of US\$12.6 billion, a notable increase of 32.3% YoY. In spite of a slight decline in transaction volumes, total transaction values registered strong growth. The residential segment registered 17,000 transactions, a 1.5% YoY decrease, while the total value of residential property sales came in at more than US\$9 billion last year, a 26.1% YoY increase.

Macau's Secretary for Transport and Public Works announced in late February that the government has been monitoring the property market, commenting they might consider implementing additional cooling measures on top of those introduced in October, if necessary. In late-March, Mainland cities including Beijing, Shanghai and Guangzhou issued detailed property cooling measures, following the State Council's tightening policies in early March.

Macau Overview

2012 proved to be another fruitful year for Macau. GDP for the full year hit US\$44 billion, a 9.9% YoY increase. Economic growth was fuelled by exports of services and domestic demand. The Macau government ended 2012 with a surplus of US\$9 billion, versus its full-year spending of US\$7 billion. Total government reserves now stand at US\$12.5 billion.

Macau saw a record-high US\$3.9 billion in gaming revenues in March, up 25.4% YoY. Accumulated gross gaming revenues have reached US\$10.7 billion to-date, a 14.8% increase over the same period last year. Analysts are predicting 12%-13.5% gaming revenue growth for full-2013 as a whole. Decline in VIP gaming revenues remains a potential risk factor with the central government declaring its intention to clamp down on corruption. While this may affect casino performance, we believe Macau's gaming revenues will continue to rise, driven by the fast-growing mass-market segment.

Visitor arrivals have decreased slightly, with January welcoming slightly over 2.3 million visitors, down by 6.1% YoY. Mainland Chinese visitors remained the most significant group, accounting for over 60% of total visitors. In the face of declining visitor numbers, visitor arrivals

in package tours have shown an 18.3% YoY increase to reach 757,190 in January. This is in line with the emergence of the mass market sector, which has proven to be a key driver of Macau's gaming industry. We expect mass market growth to continue on a positive trend, aided by infrastructural developments, such as the Guangzhou-Zhuhai railway link, which will facilitate mass market visitor inflows from an increasingly broad catchment area.

Visitor spending has also grown, with total visitor spending (excluding gaming expenditure) amounting to almost US\$2 billion in Q4 2012, up by 9% YoY. For the full year, visitor expenditure reached US\$7 billion, up 15% YoY.

Hotel and guesthouses in operation have also been rising, providing 26,027 rooms, up 16.5% YoY. For the month of January, hotels and guesthouses received 832,543 guests, a YoY increase of 19.1%, with average occupancy rate of hotels and guesthouses registering at 82.9%, up from the rate of 79.1% over the same period last year.

We believe an expanding middle class tourist segment is set to further drive visitor spending and hotel occupancy rates. This on-going transition to a more balanced mass market is likely to act as the primary driver of Macau's next phase of growth.



Shoppers in Senado Square, the prime shopping district in Macau popular with locals and tourists alike.

FOR FURTHER INFORMATION

Sniper Capital

Tel: +65 6222 1440
Email: info@snipercapital.com
www.snipercapital.com

Public Relations

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

Corporate Broker

Liberum Capital
Chris Bowman / Richard Bootle
Tel: +44 20 3100 2222

Company Secretary & Administrator

Heritage International Fund Managers
Mark Huntley / Laurence McNairn
Tel: +44 14 8171 6000

Stock Codes:

Bloomberg: MPO LN
Reuters: MPO.L

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.