



# Macau Property Opportunities Fund

## Investor Update Q2 2009

### Quick Facts

Listing Date	5 June 2006
Exchange Listing	AIM (London)
Total Shares Issued	105,000,000
Issue price	100p
Latest Share Price	77.5p
Market Capitalisation	£81,375,000
Latest Adjusted NAV*	US\$2.13 (131p)*
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

\* As at 31 December 2008

# Based on a £/US\$ exchange rate of 1.63

All remaining data as at 9 July 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 undervalued opportunities in the property sector which are clearly differentiated in terms of both location and sustainability of end-user demand.

The Company's full year results for the period to 30 June 2009 are due to be released in mid-September 2009.

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

### Quarterly Highlights

- One Central approaching completion
- Heritage approves first two developments
- Encouraging signs of stabilisation
- Property market picks up

### Overview

#### More positive outlook fuels market rally

The second quarter of 2009 saw a marked improvement in investor sentiment as the region's stock markets experienced powerful rallies fuelled by hopes of a global economic recovery. In Macau, an increase in property transaction volumes from extremely subdued levels has also triggered a strong rebound in property values sending a clear signal that buyers are re-entering the market.

Responding to the improved conditions, MPO's share price made a good recovery from its February low of 51p, with average daily trading volumes surging to 328,000 shares per day during Q2, as against 52,000 per day during Q1.

#### Diversifying shareholder base

MPO's shareholder base continues to diversify with several new tier one institutional investors joining the share register.

Sniper Investments (SI), an investment vehicle connected to the Manager, has sustained its accumulation of MPO shares, buying a further 1,012,500 shares during the period. As at 30 June 2009, SI had a total holding of 4,175,000 shares, representing 3.98% of the company's issued share capital – the fifth largest shareholding in MPO.

While we are encouraged by the narrowing of the share price discount to Adjusted Net Asset Value, and MPO's strong performance compared to the overseas property fund sector in general, we believe the current share price does not fully reflect the exceptional quality and positioning of MPO's property portfolio and the significant growth potential for Macau.

Working closely with our brokers and advisers, we are continuing to heighten awareness of MPO amongst investors and seek creative solutions to continue to narrow the share price discount to Adjusted Net Asset Value.

### Portfolio Summary

#### Portfolio reaches exciting stage

MPO's portfolio is entering an exciting period, with One Central due for handover in late Q3 and construction of two of its redevelopment projects set to commence in the coming months.

Planning for MPO's two other developments is progressing on schedule, with current efforts focused on finalising designs and maximising gross floor area. We remain in ongoing discussions with a number of banks with a view to securing construction financing.

#### One Central nears completion

One Central is Macau's premier mixed-use development, comprising seven luxury residential towers, a world-class shopping centre and a Mandarin Oriental Hotel.

MPO purchased the whole of Tower 6 in late 2006, subsequently acquiring a further 25 well-positioned units in adjacent towers.

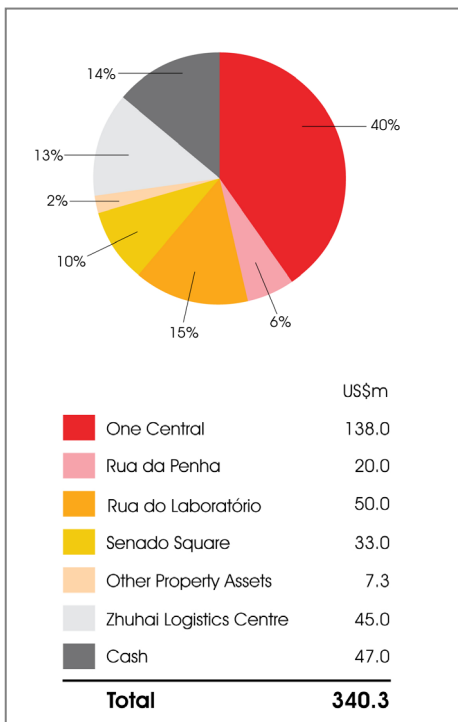


### One Central at a glance

- **Location:** Macau Peninsula
- **Details:**
  - 7 residential towers\*
  - Mandarin Oriental Hotel
  - Luxury shopping centre
  - Resident clubhouse & pools
  - Covered car park
- **Surrounding attractions:** MGM, Wynn, Nam Van Lake

\* MPO owns Tower 6 & 25 individual units

## Portfolio Summary

Portfolio composition by project  
(Based on total commitment costs)

The internal fit-out of Tower 6 is now almost complete, with the Occupation Permit expected to be granted by August and the handover finalised by the end of Q3.

Our asset management and leasing strategy for Tower 6, which positions the property as one of the premier residential addresses in Macau, is geared for implementation as soon as handover occurs.

In June, mounting speculation that Tower 4 was for sale by its owners, an Icelandic insurance company, was finally quashed when the joint developers of One Central – Shun Tak Holdings and Hongkong Land – announced that the Sale & Purchase Agreement relating to all 68 units in Tower 4 had been cancelled.

This is positive news, since with the uncertainty created by a potentially distressed seller removed, improved confidence should generate continued interest in the project.

**“Our asset management & leasing strategy for One Central Tower 6 is geared for implementation as soon as handover occurs.”**

is to develop a prime multi-storey retail complex targeting both locals and tourists. We have completed our initial research into the appropriate merchandising and tenant mix for the project and have entered into preliminary discussions with potentially interested parties.



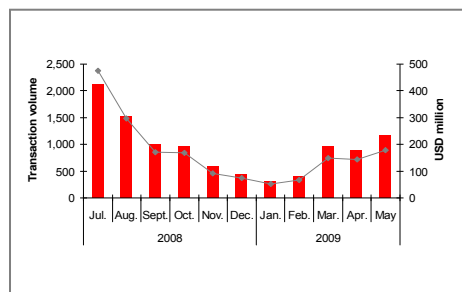
Senado Square is a mixed-use retail project in the heart of Macau's World Heritage district.

We continue to implement our yield-enhancing strategy for the existing buildings at **Zhuhai Logistics Centre**, our first project in Mainland China. Approval for the initial master plan for the adjacent vacant land and workers' accommodation is still pending, following submission in the first quarter.

According to recent media reports, the Chinese central government has given the green light for a pilot development project between Macau and Zhuhai's Hengqin Island. The plan is to develop Hengqin into a key centre for commerce, tourism, scientific research and high technology. This major initiative along with local infrastructure projects linked to the forthcoming Hong Kong-Zhuhai-Macau bridge is likely to further boost demand for logistics space in and around Zhuhai.

## Charts

**Chart 1: Real estate transaction value & volume (Jul 2008 – May 2009)**



**Chart 2: Government subsidy measures**

- (1) **20% down payment credit guarantee** (max. limit of US\$50,000)
- (2) **4% interest subsidy** (max. subsidised mortgage limit of US\$125,000)
- (3) Applicable to Macau residents purchasing properties valued at US\$325,000 or below
- (4) **Progressive stamp duty scheme:**
  - 1% for properties valued at US\$250,000 or below;
  - 2% for properties between US\$250,000 & US\$500,000;
  - 3% for properties above US\$500,000.

## Development properties make progress

We are now in the final stages of planning for **Rua da Penha**, our luxury residential project located in one of Macau's historically significant areas. The all-important Heritage approval has been received for our design and final Government approval is expected during Q3, with redevelopment expected to commence soon afterwards.

With Rua da Penha's distinctive location in a highly sought after neighbourhood, our intention is to redevelop the site into niche, low-rise residential apartments and duplexes designed for local residents seeking to upgrade the quality of their homes.

The Macau Government's recently confirmed incentive plan for first-time home buyers augurs well for **Rua do Laboratório**, which is being developed for this important and growing market. Our intention is to design and build a high-rise residential development in this emerging residential area situated in the north of Macau Peninsula, close to the main border gate and adjacent to the proposed Phase 2 light rail system.

We have short-listed architectural design firms with proven experience in the well-established mass market segment in Hong Kong.

The planning process for **Senado Square**, a well-located site close to the primary non-gaming tourist destination in Macau, is progressing well. Heritage approval has been secured and final Government approvals are expected in Q4. Our intention

## Market Summary

## Stabilisation sets scene for Macau's future

Macau has not escaped the effects of the global economic crisis, with Q1 2009 GDP recording a fall of 13% year-on-year. However, improvements in both sentiment and economic data suggest that Macau is showing early signs of stabilisation.

Francis Tam, Secretary for the Economy and Finance, has stressed the Government's intention of restricting the fall in the full year's GDP to single digits by implementing stimulus measures and programmes designed to create more employment.

With Chief Executive Edmund Ho standing down in December, elections for his successor are scheduled for 26 July. Former Secretary for Social and Cultural Affairs, Fernando Chui Sai-on, is the only candidate and is likely to stand unopposed. As a result, he will become Macau's second Chief Executive.

Local speculation suggests that the central government might relax the current visa restrictions after the election, which should boost tourism in Macau.



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**Genting moves for Macau gaming**

Despite the global economic downturn, Macau's gaming market has recorded a quarter-on-quarter increase in revenues of 8% in Q1 2009 compared with only a 1% growth recorded by the State of Nevada, USA.

Gaming revenues for the period March to May were also ahead of expectations. Coupled with the recent opening of City of Dreams, the city's latest mega casino-resort, this has led many analysts to upgrade their previously bearish forecasts for the territory's gaming revenues.

Following rumours surrounding their possible move into Macau's gaming market, June saw Malaysian gaming group Genting acquire a 3.2% stake in US casino operator MGM Mirage for US\$100 million. The belief is that this could give Genting an entrée to the Macau gaming market via the MGM Grand Macau, a joint venture between MGM Mirage and Pansy Ho.

**City of Dreams opens its doors**

June saw the long-awaited opening of the US\$2.1 billion City of Dreams, Macau's latest casino resort.



City of Dreams is the only large-scale entertainment resort to open in Macau almost two years.

With its three hotels – the Grand Hyatt, Hard Rock Hotel and Crown Towers – offering around 1,400 guests rooms, and 420,000 sq ft of casino space, over 20 restaurants and bars and a 500-capacity multi-media dome-shaped theatre known as "The Bubble", City of Dreams is a major project.

The addition of this dynamic development will help build an enhanced critical mass for the Cotai Strip and improve the general attractiveness of the area.

**Tourism catches a cold**

The worldwide spread of human swine flu has had a marked impact on Macau's tourism industry, contributing to a year-on-year decline of 20% in May's visitor arrivals.

Continued Mainland Chinese visa restrictions, a shortened Chinese "Golden

Week" holiday (from seven to three days) and the continuing effects of the global financial crisis have also contributed to the disappointing figures.

However, this decline in growth comes after a long period of very rapid expansion. In the first five months of 2009, the number of visitors inevitably fell, but only by 10.6% on a year-on-year basis.

**"There have been signs of improvement in Q2 with property transaction volumes & values picking up since March."**

**Property market bottoms out**

Macau's property market has suffered since the last quarter of 2008, with the impact of the economic downturn reflected in the official transaction statistics.

However, there have been signs of improvement during the second quarter, with transaction volumes and values picking up since March. Transaction volumes and values in May reached 1,168 and US\$179 million respectively – a 276% and 246% respective growth compared to January (see Chart 1).

In addition to low interest rates and signs that the global market may be stabilising, the Government's new subsidy measures for home buyers (see Chart 2) are also believed to be a key factor behind the improved figures.

**Light rail on track**

In May, the Government published its Phase 2 light rail development proposals. This scheme, which runs down the west coast of Macau Peninsula, should create some 2,000 to 3,000 construction job opportunities and over 300 permanent positions for light rail operations.

**Conclusion**

Looking ahead, MPO's efforts will be focused on progressing its development projects and on implementing value-enhancing asset management strategies.

Coupled with our belief in the territory's fundamental strengths and long-term prospects, we are confident that our strategically chosen investments, our healthy balance sheet and the skills of our experienced management team give us a strong platform from which to make continued positive progress.

**Did You Know?**

Fernando Chui Sai-on, former Secretary for Social Affairs and Culture, is almost certain to become Macau's next Chief Executive, since his candidacy is uncontested. The 52-year-old Dr Chui comes from one of Macau's most prominent families and has seven years of ministerial experience spanning culture, sports and public health.