



Q2  
2010

One Central, Macau's premier mixed-used project

## INVESTOR UPDATE

### HIGHLIGHTS

- MPO debuts on LSE Main Market
- Leasing of *The Waterside* progressing well
- Loan secured for Rua da Penha
- Macau gaming revenues hit record high

### OVERVIEW

The second quarter of 2010 was a positive one for Macau with news of significant GDP growth, strong gaming revenues and a buoyant property market.

It has also been an active period for MPO with *The Waterside* leasing programme progressing ahead of expectations, the securing of an attractively priced development loan facility for Rua da Penha, and the Company's successful migration to the Main Market of the London Stock Exchange.

### FUND UPDATE

#### Successful debut on Main Market

Following the passing of all resolutions at the Extraordinary General Meeting of the Company held on 28 June 2010, MPO shares delisted from AIM and were admitted to trading on the London Stock Exchange Main Market on 30 June 2010.

As at 31 March 2010 (the accounting date for the listing prospectus) the Adjusted NAV per share was US\$2.49 - unchanged since the interim results. In sterling terms, this translated to 165p (based on a Dollar/Sterling exchange rate of 1.51 as at 14 July 2010). The valuation of MPO's property portfolio increased by 1.3% to US\$313 million. Following the admission to the Main Market, property valuations and Adjusted NAV per share will be calculated and announced on a quarterly basis.

The prospectus prepared by the Company in connection with the move to the Main Market is available at [www.mpofund.com](http://www.mpofund.com).

### PORTFOLIO SUMMARY

#### Positive leasing progress of *The Waterside*

The launch of *The Waterside* - an exclusive collection of 59 units in Tower Six of One Central Residences - has been well received with 10 units being leased out in Q2 2010 to predominantly international expatriates, with a number of further tenancies currently under negotiation.

Targeted marketing and leasing of *The Waterside* is continuing, to capitalise on the high demand for true luxury rental accommodation in Macau.

#### Rua da Penha loan secured

**Rua da Penha**, MPO's first redevelopment project, is now fully funded with the signing of a credit facility arrangement for up to US\$13.5 million with Banco Weng Hang S.A., one of the region's leading local banks.

*"The Company has recently transferred to the LSE Main Market with a view to widening shareholder base and boosting turnover."*

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### SPECIAL FEATURE



#### Casino firms push expansion on Cotai

Macau is bracing itself for another round of mega-resort expansion driven by robust gaming revenues. Upcoming major projects include: Galaxy Macau in early 2011; Las Vegas Sands' parcels 5 and 6 from Q3 2011 onwards; and Wynn Cotai by 2014.

Sands China has secured a deal to bring two Playboy-inspired clubs to its properties in Macau. The first will be a 12,000 sq ft Playboy Club Macao to open in Sands Macao by the end of 2010. Phase Two, scheduled to open in Q1 2012, will be the 30,000 sq ft Playboy Mansion Macao located at Sands China's parcels 5 and 6 in Cotai.

The world's largest water-based show "The House of Dancing Water" is also set to open in September this year at the City of Dreams. Created and directed by Franco Dragone, this US\$256 million production will be staged in a purpose-built 2,000-seat theatre.

This niche residential property located in the UNESCO-designated "Historic Centre of Macao" is currently under construction, following the completion of demolition works in May. The Company is currently preparing for the marketing and public sales campaign expected to be launched later this year. The project is due to be completed by late 2011.

Planning for the Company's other redevelopment projects is now in the advanced stages. Discussions with prospective tenants for our mixed-use development **Senado Square** have been initiated, with several showing preliminary interest. The overall flat mix for **Rua do Laboratório** – an entry-level residential project near the China border - has been confirmed and layout plans are being reviewed. **Zhuhai Logistics Centre**, MPO's first investment in both the logistics sector and mainland China, is poised to benefit from the US\$12.5 billion regeneration plan of Hengqin Island nearby. One of the plan's key initiatives is the Shizimen Central Business District project which broke ground in June and will take approximately five years to complete.

### MACAU OVERVIEW

#### Q1 2010 GDP expanded by 30.1% YOY

Boosted by strong growth in the city's gaming and tourism sectors, Macau's economy grew more than 30% in the first three months of the year - a further acceleration from the 27.4% growth in Q4 2009. Double-digit economic growth is also expected to be sustained in 2010 according to the University of Macau.

Retail sales for Q1 2010 recorded a significant increase of 36% to US\$856 million, whilst the unemployment rate for March-May 2010 remained at 2.9%.

#### Visitor numbers increasing

Visitor arrivals in May rose 32% YoY to 2.1 million – almost four times Macau's current population. Total visitor arrivals for the first five months of 2010 recorded an uplift of 16% to 10.3 million and are likely to exceed 22 million achieved in 2009.

Macau ranked amongst the fastest growing tourist destinations according to the latest UNWTO World Tourism Barometer. This will be further boosted by the Guangzhou-Zhuhai light rail, which is due to commence operations by November, in time for the 2010 Asian Games, and could bring as many as 400,000 people a day to Macau. In another potential boost to tourism, Sands China is considering teaming up with a Chinese airline to start low cost flights to Macau.

#### Stronger Yuan to boost casino revenues

Macau's gaming revenues for the first half of 2010 - which rose 67% YoY to US\$10.7 billion - have surpassed the \$10.4 billion generated by Nevada state for the whole of 2009. Strong growth in gaming revenues in recent months has prompted the Director of Macau's Gaming Inspection and Coordination Bureau to double his prediction to 30% growth in gaming revenues for 2010.

(Continued on P4)



Classic style design specially created for the *The Waterside*





*“On the back of a buoyant property market, the value of MPO's property portfolio rose further to reach US\$313 million as at 31 March 2010.”*

**Residential market consolidation following active Q1 2010**

In the first quarter of 2010, residential market transactions jumped more than threefold from a year ago to 3,884 transactions worth almost US\$1 billion. This figure, however, is down 15% from Q4 2009. The Macau property market is currently digesting the new supply of flats which arose from the spate of successful residential launches in the first few months of the year, and echoes similar slowdowns in other regional markets.

In mainland China, the government's measures to cool the housing market have begun to take effect, with average property prices falling in June for the first time in 16 months. The correction is not expected to have a significant effect on the Macau residential market which we believe remains largely isolated and should continue to benefit from strong local drivers and high levels of affordability.

**Major retail and office market transactions**

A prime retail site in Senado Square - close to MPO's Senado Square site - was acquired by a developer for approximately US\$49 million in May. This translated to a record price of over US\$3,600 per square foot.

In June, Zhu Kuan Mansion, which is located opposite the Macao Cultural Centre, was sold for US\$90 million, or US\$185 per square foot, to a local investment firm, making it the largest office space transaction in Macau since the financial crisis.

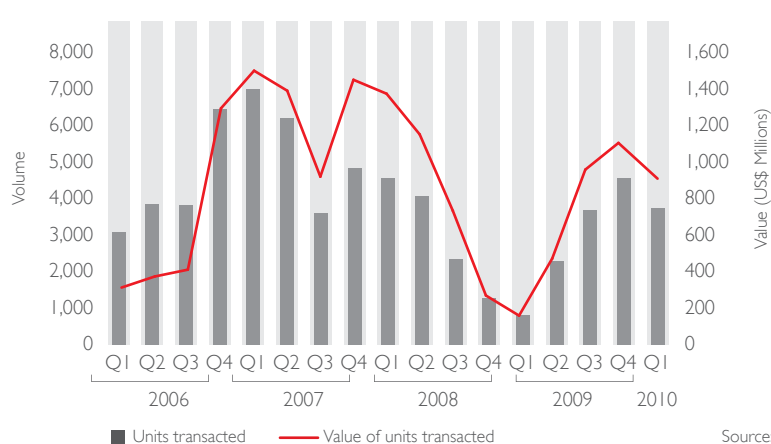
These major property deals in recent months reflect the resurgence in local investor sentiment and the strengthening of medium and long term prospects for property in Macau.

**New property market measures and regulations**

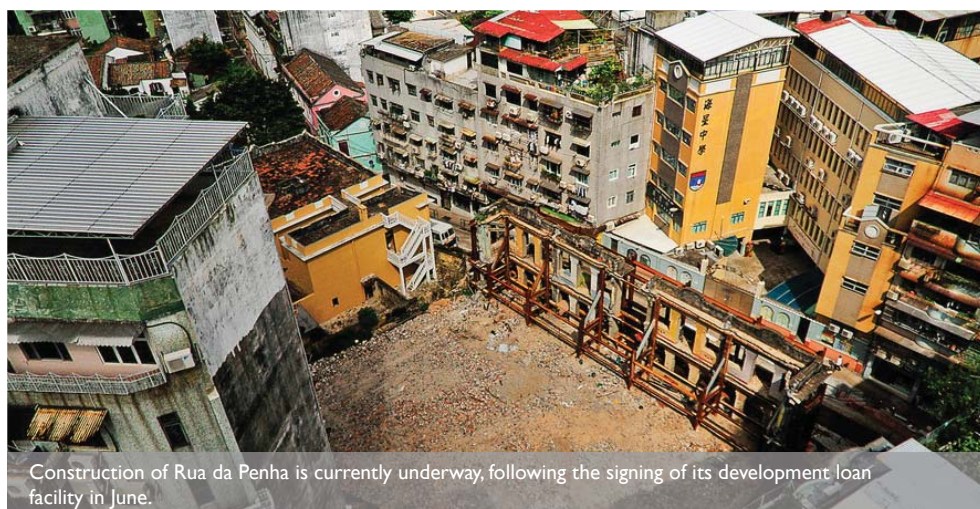
The Monetary Authority of Macau said that it will further regulate the local mortgage market by setting lower loan-to-value ratios and adopting other more prudent lending requirements.

At the same time, the Macau government has announced its intention to review existing laws and implement more measures to ensure the healthy development of the real estate market. Also, a cross-departmental working group will be set up to reinforce coordination and transparency in real estate market-related policies and supervision, including regulating property agents, pre-sales transactions, taxation and leasing.

**Residential transaction volume & value**



Source: DSEC



Construction of Rua da Penha is currently underway, following the signing of its development loan facility in June.

(Continued from P2)

Analysts believe that China's decision to let the Chinese Yuan move more freely could translate to higher revenues in casinos, restaurants and retail stores due to the enhanced spending power of the mainland Chinese population – Macau's largest tourism market.

## CONCLUSION

The positive momentum in the first half of 2010 is expected to continue into the second half of the year, albeit at a more moderate pace. Looking ahead, MPO's principal focus remains on the asset management and value realisation of *The Waterside* and *Rua da Penha*, as well as the continuing redevelopment of its other properties. The Company will also maintain its prudent capital management policy, including proactive debt refinancing.

## QUICK FACTS

|                                  |                              |
|----------------------------------|------------------------------|
| Listing Date*                    | 30 June 2010                 |
| Exchange                         | London Stock Exchange        |
| Stock Code                       | MPO                          |
| Issue Price                      | 100p                         |
| Latest Share Price               | 119.50p                      |
| Market Capitalisation            | £125.48 million              |
| Latest Adjusted NAV <sup>#</sup> | US\$2.49 (165p) <sup>^</sup> |
| 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.

<sup>#</sup> As at 31 March 2010

<sup>^</sup> Based on a US\$/£ exchange rate of 1.51

All remaining data as at 14 July 2010

## ABOUT THE FUND

Macau Property Opportunities Fund, managed by Sniper Capital Limited, is a closed-end investment fund listed on the Main Market of the London Stock Exchange. The Company's investment policy is to provide shareholders with an attractive total return through investing in property opportunities in Macau and the surrounding Western Pearl River Delta region of Southern China.

To-date, MPO's portfolio comprises five key properties spanning residential, retail and industrial sectors in Macau and Zhuhai.

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

## Manager

*Investment Adviser*

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

*Investor Contact*

Tel: +852 2292 6700

Email: [info@snipercapital.com](mailto:info@snipercapital.com)

Website: [www.snipercapital.com](http://www.snipercapital.com)

## Sponsor & Broker

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

## Company Secretary & Administrator

Heritage International Fund Mgrs Limited

Mark Huntley / Laurence McNairm  
Tel: +44 1481 716000

## Public Relations

Hogarth Partnership Limited  
Simon Hockridge / Andrew Jaques  
Tel: +44 20 7357 9477

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