



## HIGHLIGHTS

- *The Waterside* achieves 35% occupancy
- *The Fountainside* construction underway
- Macau's gaming revenues at all-time high
- New property market measures unveiled

## OVERVIEW

Macau's performance continued to soar in the third quarter of 2010. Year-to-date gaming revenues have already surpassed the US\$15 billion generated in 2009 and look set to hit a record US\$22.5 billion for the whole of 2010 - four times the Las Vegas Strip. In tandem, the economy as a whole has resumed its high rate of growth and is expected to expand by 30% in 2010.

MPO continues to make progress on all fronts. Leasing demand at *The Waterside* has witnessed a marked post-summer pick up, construction is progressing well at *The Fountainside* and our other key projects continue to make headway in the planning process.

## FUND UPDATE

### Robust set of annual results

The most recent adjusted NAV per share was US\$2.50 as at 30 June 2010 which translates to 157p (based on a Dollar/Sterling exchange rate of 1.593 as at 18 October 2010). The valuation of MPO's property portfolio increased by 16% during the year to US\$317 million as at 30 June 2010.

A strong recovery over the past year in MPO's share price to 127.5p as at 18 October 2010 led to a narrowing of the trading discount to adjusted NAV to 19%, based on current exchange rates.

NAV valuations will henceforth be calculated on a quarterly basis, with new data due to be released by mid November 2010.

### Prudent capital and financial management

As at 30 June 2010, the Company had a cash balance equivalent of US\$30.4 million and total loan-to-value (LTV) stood at 27% (assuming full drawdown of secured loan facilities). MPO is committed to maintaining conservative LTV levels through an astute approach to portfolio and cash management.

## PORTFOLIO SUMMARY

### Leasing of *The Waterside* picks up pace

Leasing activity at *The Waterside* gained further momentum, as market conditions and sentiment continued to strengthen. Since early September, leases for a further 10% of units have been secured for the 59-unit luxury apartment block, taking occupancy to 35%.

Our proactive asset management programme continues, directed at the premium sector of Macau's residential rental market, with ongoing marketing activities and promotional campaigns. Our leasing strategy includes diversification of tenant mix and a minimum 12-month lease period to ensure stable yields.

*"MPO continues to make progress on all fronts and strengthen its position in the Macau property sector."*

### SPECIAL FEATURE



The House of Dancing Water

#### Macau's non-gaming gap

Non-gaming currently accounts for less than 20% of Macau visitors' expenditure. Underscored by the government's commitment to diversify the economy, we believe the proportion of non-gaming revenues will increase exponentially in the coming years. Today, more than half of Las Vegas visitor expenditure is allocated to non-gaming activities.

We are already seeing a stronger commitment to more non-gaming offerings in Macau: Mandarin Oriental Macau, the first non-gaming, five-star hotel opened on Macau Peninsula within the One Central complex in June; the US\$256 million mega production "The House of Dancing Water" opened in September to good reviews at the City of Dreams; and Hard Rock Cafe Macau is due to open on the Cotai Strip in the first quarter of 2011.

The Company is also committed to maintaining a high standard of property management, through a dedicated in-house management team and regular tenant dialogue.

#### Construction at *The Fountainside* off to a strong start

The development brand of Rua da Penha was unveiled as *The Fountainside* during the quarter: The project is making good development progress following the project's ground breaking in September 2010. Excavation and lateral support works are underway and are due to be completed by Q1 2011.

The marketing programme for this low density luxury property is currently being finalised and an initial public sales campaign is to be launched imminently.

#### Other projects progressing well

Leading international design consultant Arquitectonica, which was behind the US\$2.1 billion City of Dreams in Cotai, has been appointed as lead architect for our prime mixed use development, **Senado Square**. Located in Macau's most prominent tourist and retail destination, this pioneering project will feature a contemporary, iconic design encompassing green credentials. We are in the process of finalising architectural submissions for this project, with redevelopment targeted to commence in Q1 2011.

Planning is moving forward smoothly for our entry level residential project, **Rua do Laboratório**, with the overall flat mix and detailed architectural design review confirmed. Construction is on schedule to commence in early 2011. This modern high rise project, located in an emerging neighbourhood close to the Chinese border, is ideally positioned to benefit from new road infrastructure links and the future US\$1 billion Light Rail Transit system.

MPO has commenced marketing and leasing of the **Zhuhai Logistics Centre**, the Company's first investment in mainland China, alongside the appointment of established marketing consultant, BPS Global. Negotiations with prospective tenants have been initiated, with several showing strong interest for this strategically located industrial development project beside the future Hong Kong-Zhuhai-Macau bridge.

### MACAU OVERVIEW

#### H1 2010 GDP expanded by 40%

Macau's economy grew 40% in the first half of 2010, driven by strong growth in the city's gaming and tourism sectors. The Monetary Authority of Macau forecasts GDP growth to exceed 15% for the whole of 2010.

The unemployment rate for June-August 2010 remained stable at 2.9% and retail sales for first half of the year increased by 35% YoY to reach US\$1.7 billion.

#### China now the world's second largest economy

Growing at about 10% per annum, China has now overtaken Japan as the world's second largest economy. Being the only city in China to offer legalised casino gambling, it is anticipated that Macau will continue to benefit from the vibrant economic growth in China and its burgeoning domestic consumption.



Fireworks viewing party at *The Waterside*



Advertising hoarding around *The Fountainside*





## PROPERTY MARKET

### Stable property market

940 homes were sold in August, marginally down by 4% YoY, although the total value recorded a slight increase of 9% YoY to US\$236 million.

In the first eight months of 2010, a total of 11,400 homes were sold, more than for the whole of 2009 (11,307).

### New residential property market measures and regulations

The Macau government has announced measures to promote healthy development of the property market.

Area	Details
<b>New mortgage guidelines</b>	<ul style="list-style-type: none"> <li>- LTV for locals: 70% for value above US\$412,500 and 90% for value below US\$412,500</li> <li>- LTV for overseas buyers: 70%</li> <li>- Max. debt servicing ratio: 50% of monthly household income</li> </ul>
<b>Pre-sales transactions</b>	<ul style="list-style-type: none"> <li>- Abolition of 0.5% intermediate transfer duty</li> <li>- Full stamp levy of 3.15% will be levied from December 2010</li> </ul>
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>- 3,000 square metre northern district site earmarked for small and medium sized flats will be put up for public auction in Q4 2010</li> </ul>

The actual impact of these regulations is not expected to be significant as the Macau residential property market is predominantly owner occupied and banks have been very conservative on loan policies for a period of time. The new stamp duty regulation will deter speculation, which we believe to be conducive to sustainable growth of the property market. The market is also set to become more transparent, with the Financial Services Bureau set to publish greater property market information starting from Q4 2010.

China's middle class is forecast to grow by 40% to 520 million with potential purchasing power reaching US\$750 billion by 2025, according to Galaxy Entertainment. The rapid rise of this important sector is a major growth driver of the mass market gaming segment in Macau.

### Diversifying visitor base

Total visitor arrivals for the first eight months of 2010 recorded an uplift of 18% YoY to 16.7 million. The international market (excluding China, Hong Kong and Taiwan) increased by more than 12% YoY to represent 11.6% of total visitor arrivals during the period. Most recent available data also saw notable uplifts in Indian and South Korean tourists by 72% and 56% respectively.

### Official gaming forecast raised

September gaming revenues rose 40% YoY to US\$1.9 billion. Due to the higher comparison base from a year ago, this is the slowest monthly year-on-year growth rate registered so far in 2010.

*“We believe the new property measures by the Macau government will deter speculation and are conducive to the sustainable growth of the market.”*



Iconic design for MPO's Senado Square mixed use development

Total gaming revenues for the first three quarters of the year have now reached US\$16.7 billion (+60% YoY), already exceeding the overall 2009 figure of US\$15 billion. This has led the Gaming Inspection and Coordination Bureau (DICJ) to raise its 2010 forecast to more than 50% - an increase of over 20% from its previous estimate. Separately, CLSA also predicts that gaming revenues will hit US\$27.5 billion in 2011.

### Jumping on the Cotai bandwagon

MGM Resorts has expressed interest in developing a second Macau casino – this time on the Cotai Strip, while SJM has also marked an area near the Macau Dome on Cotai. This follows Wynn Resorts' fencing of a site next to City of Dreams.

The opening of the first phase of Sands China's Cotai parcels five and six (Shangri-La/Traders/Sheraton complex) is now delayed to Q4 2010 due to labour shortages. Phase 2 (St. Regis) is set to open six months thereafter. Sands China has announced that it will turn to parcel three after its parcels five and six are completed, although no specific plan or timing has been set. This project will include a casino as well as Intercontinental, Crowne Plaza and Holiday Inn hotels, with a total of around 4,000 rooms according to media reports.

## CONCLUSION

With three months still to go in 2010, Macau is set to end the year on a strong note. We will continue to focus on the redevelopment and asset management aspects of our investment programme, while constantly looking out for opportunities to crystallise value, including commencing pre-sales for The Fountainside over the next few months.

### QUICK FACTS

Listing Date*	30 June 2010
Exchange	London Stock Exchange
Stock Code	MPO
Issue Price	100p
Latest Share Price	127.50p
Market Capitalisation	£133.88 million
Latest Adjusted NAV	US\$2.50 (157p)^
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 1.593

All remaining data as at 18 Oct 2010

### 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.