

INVESTOR UPDATE Q3 2013



Marine life-themed decorations, featuring a floor-to-ceiling fish tank, at the lobby of MGM.

QUICK FACTS

Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£175 million
Share Price	198p
Portfolio Valuation	US\$453 million ¹
Loan-to-Value	20% ²
Adjusted NAV per share	US\$3.95/2.60p ^{1,3}
Discount to Adjusted NAV	18.84% ⁴

¹ As at 30 June 2013.

² Assuming a full drawdown of MPO's committed credit facilities and based on portfolio value as at 30 June 2013.

³ Based on a US\$/£ exchange rate of 1.521 as at 30 June 2013.

⁴ Based on a US\$/£ exchange rate of 1.619 as at 30 September 2013.

All remaining data as at 30 September 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 Fund targets strategic property investment and development opportunities in Macau and Mainland China's western Pearl River Delta. Its current US\$453 million portfolio comprises a mix of well-positioned residential, retail and logistics property assets.

The Fund is managed by Sniper Capital, an Asia-based property investment manager with a track record of consistent performance in real estate fund management, investment and advisory.

www.mpofund.com

MANAGED BY  Sniper Capital

MPO's share price discount to NAV narrowed to 19%, helped by further share buy backs and well-received full year results. The Fund is in the process of divesting its Zhuhai properties, with completion expected by March 2014.

At a Glance

- **Further share buy backs undertaken.** The Fund repurchased 1.5 million of its shares at 168.5p each, reducing its issued share capital to 88.5 million shares.
- **Provisional sale of Zhuhai properties for US\$64 million.** A non-refundable deposit equivalent to 10% of sales price received and completion is expected in Q1 2014.
- **Sales licences for *The Fountainside* pending.** We are targeting to recommence the final sales programme by Q1 2014, once the necessary licences are obtained.
- **Demand for *The Waterside* apartments remains strong.** With occupancy stabilised, the focus is now on driving rental growth and improving tenant quality.
- **Property market continues growth momentum.** The average price of completed flats grew 6% QoQ to reach US\$733 per sq ft at the end of the second quarter.
- **Gaming revenues rose 21.4% YoY in September.** Accumulated gaming revenues have reached US\$33 billion to-date, outperforming analyst expectations.

Fund Update

MPO released record full-year results in September. Audited Adjusted NAV per share was US\$3.95 as at 30 June 2013, a YoY increase of 31.3% and an uplift of 9.2% QoQ.

The Fund's Interim Management Statement and Adjusted NAV as at 30 September 2013 are due to be released on 11 November.

During the quarter, MPO restructured its banking facilities for *The Fountainside* and *The Waterside*, increasing overall debt by US\$31.5 million and extending the loan tenures. Total debt now stands at US\$125.6 million equating to a loan-to-value of 27% based on June 2013 valuation.

The Fund also repurchased and cancelled a further 1.7% of its outstanding shares at 168.5p each. The Board remains committed to further buybacks at attractive levels.

Portfolio Overview

APAC Logistics Centre and Cove Residence

In July, the Fund entered into a provisional agreement to sell both its Zhuhai properties, *APAC Logistics Centre* and *Cove Residence*, for a total combined RMB392 million

(US\$64 million*). A formal Sales & Purchase agreement was signed in August.

The Fund has so far received payment of RMB40 million in accordance with the agreed payment terms and is due to receive an additional RMB312 million, representing 80% of the sales price, by the end of February 2014. A further c. RMB40 million or 10% of the sales price, will be retained in escrow as retention money. This will be released after a further six months so long as all contractual terms have been adhered to.

We believe this is a timely divestment of these properties, which were acquired in 2008 for US\$11 million. Infrastructure developments continue to transform Zhuhai and the Pearl River Delta region creating upbeat market sentiment. We have taken full advantage of this environment to divest of these assets at a substantial premium to their end-June 2013 valuation of US\$45.4 million.

The Fountainside

We will shortly resume the final sales phase of *The Fountainside*, following a temporary delay in receiving the necessary sales licences from the government – a direct result of new, bureaucratic pre-sales laws introduced in June.

Accounting for over 50% of the remaining sales value, the villas and duplexes will be promoted on an exclusive basis.

*Based on a US\$/RMB exchange rate of 6.1154 as at 23 August 2013.



All scaffolding has been removed from *The Fountainside* facade.

Special Feature

Spend away

A United Nations Tourism Organisation report released in August revealed that visitors to Macau spent more than visitors to all other global tourist destinations.

Visitors to Macau spent an average of US\$3,213 each. This sum included gaming expenditure, and was nearly double that of second-ranked US, where visitors spent an average of US\$1,884. This compared to US\$866 in Mainland China, US\$1,349 in Hong Kong and US\$1,250 in the UK.

Macau was ranked as the 20th most popular global tourist destination.

According to The Fortune Character Research Institute report, Mainland Chinese with assets of over 100 million yuan (US\$15.6 million) are more inclined to shop abroad, with a preference for jewellery, leather goods and watches. Middle-class Mainland Chinese prefer shopping for cosmetics and clothes. Information from the Statistics and Census Service showed that in the second quarter, visitors spent mostly on shopping (49%), accommodation (24%) and F&B (19%).

In 2012, some 13 million visitors spent a total of US\$43.7 billion in Macau.

Most popular tourist destinations (amount spent per head)

Country	Amount spent per head (US\$)
Macau	3,213
United States	1,884
Hong Kong	1,349
Thailand	1,344
Germany	1,253
Malaysia	808

We remain focused on achieving a sustainable and high quality tenant mix at *The Waterside*.

Each villa features amenities such as an attached garden and private garage. We intend to target high-net worth individuals from neighbouring Hong Kong as well as Mainland China.

All scaffolding has been removed from *The Fountainside* façade, with finishing works substantially completed. We are finalising utility works, and once completed, will be able to submit the application for the property's Occupancy Permit, with final approval expected in early 2014.

The Waterside

Total occupancy levels at *The Waterside* declined slightly to 86% as at end-September, following a strong performance last month. Nonetheless, average net monthly rental rates increased by 2% QoQ to HK\$22.82 (US\$2.93) per sq ft as at end-September. We remain focused on achieving a sustainable and high quality tenant mix, which currently is made up of senior executives and expatriates in industries ranging from gaming to IT. We continue to target an average year-end renewable monthly rental rate of HK\$23.50 (US\$3) per sq ft monthly by the year-end.

Senado Square

We received written approval and confirmation from the Heritage Department at the end of August for our submitted architectural plans, and we are expecting to hear from the government soon regarding the next stage of approvals.

The formal planning application process is now expected to be completed in the first half of 2014.

The 70,000 sq ft, seven-storey retail development in the heart of Macau's vibrant shopping destination is expected to attract a mix of international retail and F&B brands seeking to expand their presence in the city.

Designed by Arquitectonica, who are also behind Melco Crown's City of Dreams, *Senado Square* has received positive reviews for its sustainable concept and contemporary design.

PROPERTY MARKET OVERVIEW

According to Macau's Statistics and Census Service, a total of 4,654 building units were purchased and sold at US\$3.8 billion in the second quarter. This brings the total number of building units purchased and sold to-date to 7,644, at a total value of approximately US\$5.7 billion. The average price of existing residential units was US\$733 per sq ft, up 6% QoQ. The average price of pre-sale residential units increased by 12% QoQ to US\$1,256 per sq ft.

There were 4,059 residential units purchased and sold, an increase of 474 from the previous quarter, translating into an uplift of 13%. Within these units,

1,946 were pre-sale residential units amounting to US\$2.1 billion.

570 residential units were completed in the second quarter. Jones Lang LaSalle expects the cost of buying and renting property in Macau to grow steadily in the second half of the year. The property agent attributed this growth to the prevailing low interest rates, coupled with a strong inflow of capital and limited housing supply. Savills Macau has also predicted residential property prices to increase between 15%-20% for the full year, and commercial property prices are expected to climb by 30%.

Average price of residential units



Purchase and sale of building units:

	Current Quarter		First half year	
	Number	Value (US\$ million)	Number	Value (US\$ million)
Residential	4,059	3,176	7,644	5,657
Commercial	375	469	689	824
Office	139	98	271	171
Industrial	81	89	156	166
Parking Space	1,813	242	3,081	371
Total	4,654	3,832	8,760	6,818

The Green House

We continue to retain *The Green House*, the Fund's 5,000 sq ft residential asset in the prime district of Penha Hill and will only divest once we believe a sufficient price premium has been achieved.

Detached houses offering a combination of exclusivity and prime location such as *The Green House* are a rare commodity in Macau, with less than 50 houses in the Penha Hill area.

Macau Overview

Gaming Revenue

Macau's casinos recorded US\$3.6 billion in gross gaming revenue in September, a 21% YoY increase. This was in line with analyst expectations.

Analysts expect the upswing in mass market revenue to continue, especially with the upcoming Cotai gaming developments. Casinos are re-classifying VIP gamers into 'premium mass' players, who are members of China's growing upper-middle class. Premium mass customers are highly sought after as they generate higher margins and more stable revenue than VIP gamers.

Accumulated gross gaming revenue has reached US\$33 billion in the first nine months of the year, a YoY uplift of 16%. Analysts are forecasting gaming revenue growth for the year 2013 to be around 15%.

Fitch Ratings has noted that the current growth of Macau's gaming revenues and tourist numbers which – in spite of China's slowing economy – suggests that the central government's policy of expanding domestic consumption is working.

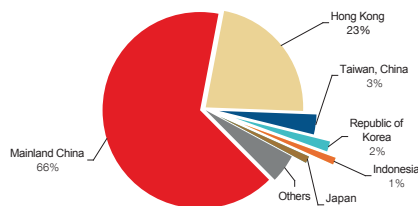
Visitor Arrivals

Visitor arrivals increased by 7% YoY to 2.9 million in August, out of which Mainland Chinese visitors accounted for 66% of total visitors. To date, there have been a total of 19.6 million visitors, a YoY increase of 5%.

The average length of stay of visitors remained at 1.0 days, with overnight

visitors staying at 1.9 days. Visitor arrivals in package tours increased by 6.6% YoY to reach 973,766 in August. The majority of visitors were from Mainland China, accounting for 79% of total package tour visitors.

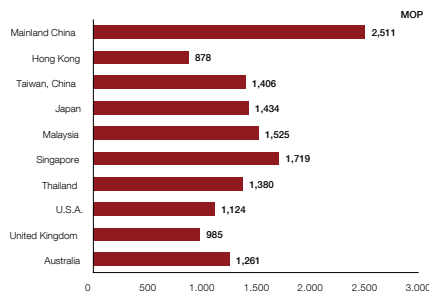
Place of residence of visitors



Visitor Expenditure

Visitor expenditure continued to grow, amounting to US\$1.7 billion in the second quarter, a notable increase of 23% YoY. Per-capita spending of visitors was US\$247, a 15% YoY uplift. The majority of visitor spending was on shopping, accommodation and F&B. Mainland Chinese visitors had the highest per-capita spending of US\$314.

Per-capita spending



Labour

Macau's unemployment rate held steady at 1.9% for the June to August period. The total labour force reached 361,700, with total employment increasing 2,300 over the period. Median monthly wages held stable at US\$1,500 for the quarter.

The city had 122,105 migrant workers as at end-July, the highest figure ever, making up more than a third of the workforce. The biggest employers of migrant workers were hotels and restaurants with 36,056, almost 30% of the total. 🌐

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