



Quick Facts

Listing Date	5 June 2006
Exchange Listing	AIM (London)
Total Shares Issued	105,000,000
Issue price	100p
Latest Share Price	104.75p
Market Capitalisation	£110,000,000
Stock Code	MPO
Country of Incorporation	Guernsey
Max. Level of Gearing	60%
Current Gearing Level	0%
No. of Acquisitions	Three
Total Commitment	USD148 million
Investment Manager	Sniper Capital

About the Fund

Macau Property Opportunities Fund Limited is a closed-end investment company incorporated in Guernsey and listed on the Alternative Investment Market of the London Stock Exchange.

The Company's investment policy is to provide shareholders with an attractive total return, which is expected to comprise primarily capital growth, but with the potential for dividends over the medium to long term.

The Company focuses on investing in property opportunities primarily in Macau, but also potentially in the Western Pearl River Delta region and in exceptional circumstances, greater China.

www.mpofund.com



Highlights

- Three acquisitions announced totalling USD148 million
- Progress ahead of schedule with 80% of funds committed
- Eight further sites under negotiation worth approximately USD220 million
- Residential market boosted by interest rate cut and launch of key developments
- Strong reception to launch of premium mixed-use development 'One Central'

Fund Activity

The Investment Manager's focused and highly selective investment process led to the acquisition in the fourth quarter of three strategically positioned properties with an expected combined acquisition and development cost of USD148 million. These attractively valued properties now commit approximately 80% of the capital raised in the June 2006 AIM listing, well within the Company's expected 18-month investment period. In line with one of the Company's target investment segments, the three transactions were for residential sites, all located on Macau Peninsula, each bringing with them unique and valuable aspects to the portfolio.

Portfolio Summary

	Sector	Type	Positioning	Current Status	Capital Value*
Property 1	Residential	Redevelopment	Local Residents	Planning	USD15.68m
Property 2	Residential	Redevelopment	Entry Level	Consolidating	USD45.96m
Property 3	Residential	Development	Premium Luxury	Construction	USD86.58m
Total					USD148.22m

* Includes acquisition & expected redevelopment costs

Property 1, located in an established neighbourhood, is ideally suited for an apartment redevelopment targeted towards local residents seeking to upgrade in this vicinity. The initial architectural and planning approval process for this site is underway. Property 2 is located in an up-and-coming area for entry-level buyers very close to the China border. The Company intends to develop the site to cater for this rapidly growing market segment and is currently in negotiations to acquire adjacent land which will enhance the overall project value. Property 3 is a luxury residential tower in a high-end mixed-use waterfront project, 'One Central', being jointly developed by Hongkong Land and Shun Tak Holdings. Due for completion in 2009, this is a development of unprecedented quality and positioning and gives the Company immediate participation in one of its core target segments, the premium luxury residential market.

In addition to the above transactions, the Manager continues to identify and progress an attractive deal pipeline across a variety of sectors and prime locations. To-date, 65 sites with a combined acquisition value of USD1.3 billion have been assessed. Of these, eight sites with a combined value in excess of USD220 million, are at various stages of negotiation. These include two properties referred to in the previous update, worth a combined USD80 million, where the acquisition process has been lengthened by complex title issues. This is not uncommon in Macau where fragmented ownership structures often result in extended negotiation and due diligence lead-times.

The Manager continues to stress the importance of quality, location and positioning when selecting assets and believes the next five years will see the creation of new key locations and the crystallisation of demand trends across all property sectors. The Manager therefore continues to avoid specific sectors and locations where it believes there is danger of over-development.

Summary

Consistent with the Manager's niche investment approach, the Company will continue to focus on acquiring assets with clear differentiation and sustainability of future demand, despite the often longer and more complex negotiations involved. The recent acquisitions have given the Company a strong base from which to continue constructing a strategic portfolio.

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Market Overview

The residential property market picked up significantly in the fourth quarter with activity driven largely by the launch of several key residential projects. The highest profile was the premium luxury development 'One Central Residences', being developed jointly by Hongkong Land and Shun Tak Holdings, where the public sales surpassed all expectations. All units released to the public are reported to have been sold out within ten days despite an anticipated two-year sales programme, with several secondary transactions reportedly taking place since at prices 10 – 15% higher. The public sale did not include any units in Tower 6 of One-Central which was acquired in full by the Company. It is the Company's current intention to retain this asset until completion of the project in 2009.

Buying sentiment was also boosted by a 25 basis point drop in lending rates in November and continued double digit growth in household income. In the residential leasing market, expatriate numbers continue to swell in the territory, putting upward pressure on rentals, and gradually restoring yields to more realistic levels as achieved rents catch up with capital values.

The Manager believes that future property prices and sentiment will be heavily influenced by 'milestone' events in the ongoing creation of the new Macau. The successful launch of One Central is one of the first of many such milestones. The opening of the much anticipated Venetian Macau and the first large conventions due to be staged at the new Venetian Convention Centre, both scheduled for the second half of 2007, will likely be the next high profile events to receive significant international coverage.

In the retail sector, Las Vegas Sands Corp. continues to surprise the market, with 400 retailers reportedly now committed to The Venetian Macau shopping mall representing 70% of the 1.2 million ft² of space available. The influx of top international retailers is set to dramatically change Macau's retailing landscape and will drive the strong anticipated growth in the Territory's non-gaming revenues.

As anticipated, the office sector remains sluggish, with demand showing few signs of absorbing existing supply or driving rental expectations upwards. This is a sector that the Manager continues to avoid at this time.

On the political front, the recent investigations into the activities of some Macanese government officials is viewed as a long-term positive by the Manager since it is likely to result in greater transparency, fairness and efficiency of planning and regulatory processes. In the short term, however, the uncertainty created by such investigations may slow down certain approval processes within government, although the Manager has not experienced any such delays to-date.

Announcements of new projects continue unabated. Recent news included the confirmation by Wynn Macau of a second hotel block following the success of its initial phase. Furthermore, the Galaxy StarWorld casino & hotel opened on the Macau Peninsula to much acclaim and initial success. More recently, Macau Studio City announced a USD4 billion, six million square feet development project adjacent to The Venetian on the Cotai Strip. This project will include a leisure resort alongside facilities for television and cinema production, retail outlets, gaming, various types of entertainment and hotels.

Key Economic Statistics

	Period	Figure	YoY % Change
Unemployment Rate	Q3 2006	3.8%	-0.7%
CPI	Jan - Nov 2006	108.22	+5.2%
Visitor Arrivals	Q3 2006	5,473,000	+12.83%
Gaming Receipts	Jan - Nov 2006	USD6.23 billion	+19.0%
Median Monthly Employment Income	Q3 2006	USD852	+16.5%
Real GDP	Q3 2006	USD3.44 billion	+17.06%
Retail Sales Value	Q3 2006	USD332 million	+21.2%
Population	Q3 2006	508,500	+5.4%

Source: DSEC, Macau

(The Company's first half results for the period to end- December 2006 are expected to be released by the end of February 2007.)

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