

Macau Property Opportunities Fund

Investment Companies

5 March 2007

Property development in SE Asia

	Pence	% change
NAV at launch (5/6/06)	96.21p	
Exchange rate movements	-4.23p	
Accounting NAV *	+1.26p	
Adjusted NAV #	+11.47p	
NAV at 31/12/06	104.71p	+8.8%
Exchange rate movements	+1.85p	
NAV at 5/3/07[^]	106.55p	+10.8%

* NAV calculated under IFRS where properties are valued at the lower of cost or net realisable value, main change is the interest income earned on cash balances.

Using the accounting NAV adjusted for properties at net realisable value.

[^]Collins Stewart estimate assuming no changes other than exchange rate movements between 31/12/06 and 5/3/07.

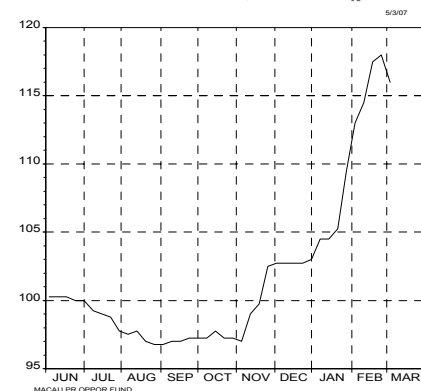
- Interim results released on 16/2/07 for period from launch to 31/12/06.
- 13.8% uplift in Adjusted NAV in US\$ terms from launch to 31/12/06.
- Launch NAV US\$1.8001, which by 31/12/06 has become US\$1.8247 with properties valued at cost (the Accounting NAV using IFRS) or US\$2.0491 with properties at net realisable value (the Adjusted NAV).
- 10.8% uplift in Adjusted NAV in sterling terms from launch to 5/3/07.
- 21% uplift in property valuations, as independently valued by Savills.
- Three transactions announced for residential sites.
- US\$148m committed, of which US\$43m has been paid in cash.
- US\$1.3bn worth of sites assessed at 50 locations in Macau and 12 in Zuhai.
- Several projects are undergoing financial and legal due diligence. Eight sites are currently under negotiation, worth c.US\$220m. Some should lead to further acquisitions soon.
- Progress is ahead of schedule.
- Local interest rate cut boosts residential market.
- Significant demand for "One Central", a key milestone in the property sector.
- Focus on buying assets with clear differentiation and sustainability of future demand, such sites often involve longer and more complex negotiations.
- All assets and uninvested cash are held in US\$.
- Strong economic growth in the region and Macau's booming gaming industry should benefit MPO in its focus on quality property development projects in its target market sectors.

Recommendation BUY

NAV (US\$)	\$2.0491
NAV date	31/12/06
Current US\$/£ exchange rate	1.92320
Current NAV (p)	106.55p
Current price	114.5p
Premium	+7.5%

Ticker	MPO
SEDOL	B1436N6
ISIN	GB00B1436N68
Domicile	Guernsey
Exchange	AIM
Launch date	5/6/06
Amount raised	£105m
Traded currency	GBX
NAV currency	USD
Issue price	100p
Issue NAV	96.21p
No. of shares	105,000,000
Total net assets	£111.9m

Price since launch, Jun 06 (pence)



www.mpopfund.com

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Collins Stewart Europe Limited is broker to Macau Property Opportunities Fund and makes a market in the company's securities. This document is non-impartial investment research. Please see disclaimer for further information.

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About the fund

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.

Total return objective	The objective is to give returns primarily from capital growth, but with the potential for dividends over the medium to longer term.
Core strategy	To capitalise on the rapid development of the gaming, tourism and Meetings, Incentives, Conventions and Exhibitions (MICE) industries in Macau, and the attendant growth in such areas as employment, local disposable incomes, visitor arrivals, working population and infrastructure spending being generated by these developments.
Niche opportunities	The Company actively takes advantage of niche and undervalued property investment opportunities that are clearly differentiated by both location and sustainability of end-user demand, and which are geared into the growth sectors in Macau, sourced through the Manager's extensive network of local contacts and are often overlooked by larger developers or investors.
Longer negotiations	<p>The Company looks to acquire assets with distinctive characteristics and sustainability of future demand, despite the longer and more complex negotiations often involved.</p> <p>Its early-mover advantage and extensive local network has allowed it to rapidly execute its investment strategy. As at December 2006, MPOF had committed approximately 80% of the funds raised at its IPO, and remains well positioned to continue to invest in further opportunities that are expected to generate strong returns for its shareholders.</p>
Sniper Capital	<p>The Fund is managed by Sniper Capital Limited, an independent investment manager that specialises in property investment opportunities in niche, undervalued and developing markets.</p> <p>The Investment Adviser is Sniper Capital Management Limited.</p> <p>www.snipercapital.com</p>
Management expenses	The Investment Manager is paid a fee of 2.0% of the Net Asset Value, as adjusted to reflect the Property Investment Valuation Basis payable quarterly in advance.
Performance fee	In addition, Sniper Capital is entitled to receive a Performance Fee of 20% of any return above the Basic Performance Hurdle (the US\$ equivalent of the placing price grown at 10% pa compound, with a high water mark).
Super performance fee	<p>A further 15% Super Performance Fee is payable if the Super Performance Hurdle (the US\$ equivalent of the placing price grown at 25% pa compound, with a high water mark).</p> <p>The first calculation period ends on 30 June 2007 and no accrual is made in the financial statements for the Performance Fee or Super Performance Fee.</p>

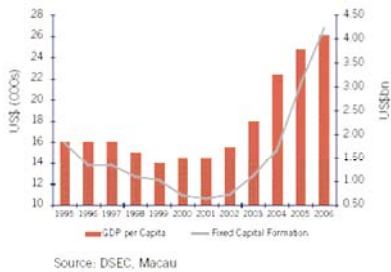


About Macau

Location: S.E. coast of China & 60km S.W. of Hong Kong.
 Population: 508,500 - the world's most densely populated city.
 Ethnic mix: 95% Chinese origin, remainder Macanese/Portuguese.
 Area: 27.5km²/9 miles² (2.5% the size of Hong Kong).
 Official languages: Chinese & Portuguese (English widely spoken).
 Monetary unit: Pataca (pegged to the Hong Kong Dollar).
 Chief Executive: Edmund Ho Hau-wah.
 Main exports: Clothing, textiles.
 GDP per capita: US\$28,100.
 GDP growth: 2006:21.5%; 2005: 11.7%.
 GDP drivers: gaming, tourism, construction.
 Macau to be a Special Administrative Region of China until 2049.
 Operates under Western-style laws.
 Transparent pro-development environment.
 Supportive and stable government.
 Recent deregulation of the gaming industry has catalysed foreign interest.
 Three gaming licences were awarded in 2001.
 40-year gambling monopoly held by Stanley Ho broken.
 Massive influx of new foreign investment has begun.
 By end-2006 US\$30bn FDI committed, under 15% of which has so far been spent.
 Infrastructure spend plans for new, high-speed railway, super highway, bridge/road, tunnel, light railway system.



Macau GDP per Capita & Fixed Capital Formation

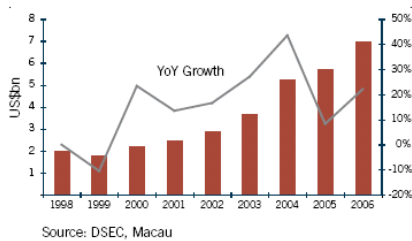


Macau's key economic statistics

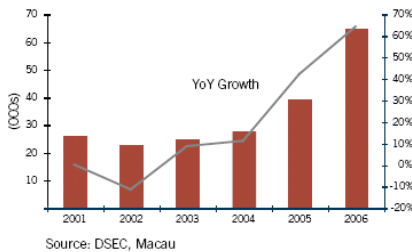
	Period	Figure	YoY % change
Unemployment Rate	Q4 2006	3.5%	-0.5%
CPI	Full year 2006	108.42	+5.15%
Visitor Arrivals	Full year 2006	21,998,122	+17.6%
Gaming Receipts	Full year 2006	US\$6.96bn	+22.0%
Median Monthly Employment Income	Q3 2006	US\$871	+16.3%
Real GDP	Q3 2006	US\$3.44bn	+17.06%
Real GDP per capita (estimate)	2006	US\$26,100	+7.3%
Retail Sales Value	Q3 2006	US\$332 m	+21.2%
Population	Q3 2006	508,500	+5.4%

Source: DSEC, Macau

Macau Gaming Receipts



Foreign Workers in Macau



Drivers to growth

Property at a substantial discount to Hong Kong despite:

- relative scarcity of land
- rapidly increasing GDP

Established and growing tourist trade from Asian and international tourists.

New transport infrastructure.

Developing leisure facilities.

Games revenues more than Las Vegas.

2bn people live within five-hour flight, 100m within three-hour drive.

Visitor numbers growing.

Tourist arrival numbers up 100% since 2000 to 18.7m in 2005.

Forecast to hit 30m per year by 2010.

Currently c.11,000 hotel rooms; forecast to rise to 25,000 by 2010.

Las Vegas operators targeting convention based business model.

The Venetian Macau is constructing 1.2m ft² of initial space.

Macau is a top destination for China's domestic tourists.

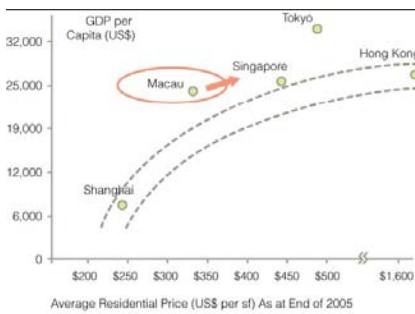
Increasingly attracting Western tourists.

General growth across Asia is driven by urbanisation, industrialisation, export growth, growth in intra-regional trade, less reliance on US, Japan and the West. China is still seen as major stimulant to the region.

Macau is a "Special Administrative Region" until 2049 operating under Western-style laws in a transparent pro-development environment with a supportive and stable government. The central planning and control means that long-term infrastructure projects can be delivered.

Western Pearl River Delta region (inc. Zhuhai, Hong Kong, and Guangdong) creates an economic powerhouse of 87m people and approx US\$350bn GDP p.a.

GDP Per Capita vs. Residential Unit Prices



Property market in the region

Prospects for Asian property values remain positive.
 Macau property at a significant discount to other values in the region.
 Differentials likely to narrow as economy strengthens.
 Casino retail projects are likely to drive up values and compress yields.

Asia Markets Average Real Estate Comparisons

	OFFICE		RETAIL		RESIDENTIAL*	
	Capital Value (US\$ /sqF)	Yield %	Capital Value (US\$ /sqF)	Yield %	Capital Value (US\$ /sqF)	Yield %
Hong Kong	1,231	4.8	13,969	5.0	1,649	3.4
Shanghai	332	8.0	N/A	N/A	248	6.9
Tokyo	1,395	5.1	N/A	N/A	473	4.0
Singapore	633	4.3	1,617	5.5	443	3.2
Macau	<u>123</u>	<u>8.0</u>	<u>1,016</u>	<u>5.3</u>	<u>338</u>	<u>6.0</u>

Source: Jones Lang LaSalle, DSEC, Colliers Halifax

* High end

Property drivers

- Positive macro and micro-economic outlook.
- Scarcity of land, only 27.5km².
- Limited property stock due to 10 years of underdevelopment.
- Obsolescence of existing properties as new projects complete.
- Rising disposable incomes & employment.
- Accelerating expatriate population.
- Investors attracted by Asian Las Vegas investment theme.
- Transparency of land ownership and secure title.
- Developed banking and finance system.
- Active residential secondary market.
- Access to Investment Residency status.
- Established leasing markets.

Investment process

Niche property opportunities targeted by the investment adviser.
Underdeveloped & inefficient property market.
International & local developers focused on mega property projects.
Wider market remains fragmented.
Re-development and niche markets neglected.
Government focus on renovation & improving urban environment.

Leisure Shortage of destination leisure space.
Expatriate demand is changing dynamics.
Local disposable income growth driving demand.
Government promoting new areas.
Accommodating licensing laws.

Retail Growth of prime retail areas restricted.
Shortage of medium to large retail floor space.
Strong demand by prime space users.
Established leasing market.
Recent landlord rights legislation.

High-end residential Only c.300 detached houses in Macau.
Lack of high quality apartments.
Few prestigious areas clearly defined.
Expatriate demand growing.
Lack of western style accommodation.
Limited serviced accommodation.
Obsolete stock.

Investment progress (US\$m)

	Date	Acquisition cost	Further costs [^]	Total commitment #	LTV*	Accumulated total committed	Total uninvested cash	Investment as % of equity raised at launch
	30/6/06						189.00	0%
1	17/10/06	8.60	7.08	15.68	60%	15.68	180.40	4.6%
2	13/11/06	86.58	0	86.58	70%	102.26	93.82	50.4%
3	13/11/06	20.57	25.39	45.96	60%	148.22	73.26	61.2%
	Total	115.75	32.47	148.22				

[^]I assume the further costs to fund the development & redevelopment phases will be funded by loans, which are drawn down when required as project development progresses.

*I estimate that refinancing of existing projects is likely to occur at the Loan to value ratios stated above.

#Total commitment includes acquisition and expected redevelopment costs.

Source: Sniper Capital.

Portfolio summary

	Site	Sector	Type	Target market	Current status	Cost	Open market valuation (31/12/06)	% change
1	SW Macau	Residential	Re-development	Local residents	Planning	\$8.60m	\$13.2m	+53%
2	Tower 6, One Central	Residential	Development	Premium luxury	Constructing	\$86.58m	\$101.3m	+17%
3	N Macau	Residential	Re-development	Entry Level	Consolidating	\$20.57m	\$25.6m	+24%
	Total					\$115.75m	\$140.1m	+21%

About the property valuation

A valuation of all the Company's property holdings was carried out as at 31/12/06 by Savills (Macau) Limited. Savills' valuation has been used in the determination of the fair market value of the Company's property interests and, hence, has been used in the calculation of the NAV and Adjusted NAV of the Company. The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the properties in their existing state and physical condition.



Property 1

100% interest in a prime residential redevelopment project, located in a very well-established and popular residential neighbourhood.

Unoccupied.

13,000ft² in an established residential area of SW Macau Peninsula.

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.

Construction starts 2008.

Construction ends mid-2009.

Plans to sell all units on a pre-sale basis or upon completion.

Property 2

Tower Six, One Central; 59 luxury residential units; 148,000ft².

Payment schedule: 5% paid on signing; 25% in instalments over 1st year, 70% on completion.

Financed by: 30% in cash, 70% from bank loans.

MPO cannot sell any units until end of 2009.

Luxury residential tower in a high-end mixed-use waterfront project.

Jointly developed by Hong Kong Land and Shun Tak Holdings.

Work on the foundations has begun.

Due for completion in mid-2009.

A development of unprecedented quality and positioning.

Site includes 400,000ft² premier shopping complex, a 210-room, 6-star Mandarin Oriental Hotel and a 50,000ft² clubhouse and infinity pool for the exclusive use of residents.

There are seven towers in the residential portion of the project; two were sold en-bloc, apartments in the rest were sold individually to the public.

www.londonstockexchange.com/LSECWS/IFSPages/MarketNewsPopup.aspx?id=1337097

http://www.hkland.com/press_room/hll_20061113.pdf

<http://www.onecentral.com.mo/>

Property 3

20,000ft², close to China border on good transport routes.

Entry-level residential redevelopment site in N Macau Peninsular.

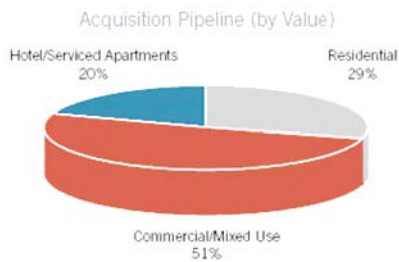
In an up-and-coming area catering for local population.

MPO will develop the site into a high-rise apartment block for this rapidly growing market segment.

This fits in with MPO's investment theme of rising disposable income, low mortgage rates & high saving rates of local population.

Unit price will match local budgets.

MPO is in negotiations to buy adjacent land to enhance the overall project value.



Focus on core areas

Capital resources

Pipeline transactions

65 sites, valued at c.US\$1.3bn have been assessed.

Eight sites are at various stages of negotiations, valued at US\$220m.

There have been delays in two sites (mentioned in the prospectus) where complex ownership structures have extended due diligence.

Quality, location and positioning of sites are important.

The manager avoids sectors and locations where there is a risk of over development.

Also looking across the Macau border in Zuhai and the nearby Pearl River Delta area.

The Manager remains cautious of the middle-market residential sector across Macau, continuing to focus on its core areas:

- residential projects in well-established neighbourhoods
- super-luxury residential projects in prime locations
- entry-level residential projects
- retail projects in well-established neighbourhoods
- leisure/commercial projects in strategic locations
- affordable hotel and serviced apartment projects in key locations

MPO has enough capital for existing and targeted projects. It is also active in raising debt to fund the development stages of all such projects.

Current investment themes

Theme – local population demand for housing

Cautious on mid-market residential projects being developed in new areas.

These are heavily dependent upon the growth of the expatriate population.

Excess supply being built could depress demand for & value of older stock.

MPO has declined several projects of this type.

Local population has rising income and high saving rates.

On average 25% of income is spent on mortgage repayments vs. 60% in Hong Kong.

There is substantial scope for locals to upgrade existing homes.

MPO therefore focuses on opportunities in established neighbourhoods and communities.

Theme – bespoke development

Developing purpose-built facilities for commercial businesses.

Establishes a guaranteed exit via pre-agreed sale or long lease.

Reduces investment risk and increases properties' market value.

MPO is in discussion with some international businesses with this in mind.

	Property market overview – Residential
Residential	<p>Several key residential developments were launched in 4Q 06.</p> <p>Public sales of premium luxury “One Central” exceeded expectations.</p> <p>All units released to the public were sold out in 10 days.</p> <p>Secondary sales since then have been 10-15% higher than at launch.</p> <p>Buying sentiment boosted from 0.25% rate cut in Nov 06 and from 16.5% growth in monthly income.</p> <p>Increasing numbers of expatriates should encourage rents to rise.</p>
Milestone events	<p>Milestone events as drivers to future residential property prices:</p> <ul style="list-style-type: none">▪ Successful launch of One Central;▪ Opening of Venetian Macau resort/hotel/casino/conference & shopping centre, due 2H 07;▪ First large convention, also due in 2H 07.
	Property market overview – Retail
Retail	<p>400 retailers now committed to the Venetian Macau shopping mall.</p> <p>This is 70% of the 1.2million ft² retail space available.</p> <p>Influx of top international retailers should drive Macau’s non-gaming revenue.</p> <p>http://www.venetianmacau.com/eng/gcs_main.html</p>
	Property market overview – Office
Office	<p>The office sector remains sluggish.</p> <p>Demand showing few signs of absorbing existing supply or increasing rents.</p> <p>MPO continues to avoid this sector.</p>
	Politics
Politics	<p>Some Macanese government officials are under investigation.</p> <p>Uncertainty has slowed down certain approval processes within government.</p> <p>MPO has not experienced any such delays.</p> <p>In the long term this should make the planning & approval process more transparent.</p>
	New projects in Macau
	<p>Wynn Macau plans a second hotel block.</p> <p>Galaxy Starworld casino & hotel opened.</p> <p>Macau Studio City plans a US\$4bn, 6m ft² development next to The Venetian.</p> <p>Genting/Star Cruises/SJM casino to be developed opposite Wynn Macau on the Macau Peninsula.</p> <p>The US\$3bn Virgin Casino project in the Cotai Strip announced on 27/1/07 will continue to bring international attention to Macau.</p> <p>http://www.telegraph.co.uk/money/main.jhtml?xml=/money/2007/01/27/ccmacau27.xml</p>

Market overview

Gaming

Sands Macau opened its extension in August 2006 – now the world's largest casino.

600-room Wynn Macau casino opened in September 2006.

3,000-room Venetian Macau opens in 2Q 2007.

Other casinos to open soon: Galaxy Starworld, Crown Plaza & Grand Lisboa.

Residential market

3Q 2006 subdued; slight increase in prices; volume fell 40% year-on-year.

Some demand put on hold as buyers wait to see the latest developments.

Long-term outlook is good on back of strong economic fundamentals.

Retail & Office market

Retail sales up 20% year-on-year.

Average office transaction price up 26% in 1H 2006.

MPO is extremely selective of projects based on location, quality and demand.

Infrastructure

Building on the Macau-Taipa tunnel starts in October 2006.

A new border crossing with China is nearly finished.

The route of the Macau light railway project is nearly agreed.

This should ease current traffic congestion.

Economic overview

Booming gaming & tourism industries.

Real GDP up 16.3% in 2Q 2006.

Gross fixed capital formation up 60.1% year-on-year

Unemployment down to 3.8% in 2Q 2006.

Demand for labour has pushed up salaries – up 13% on average.

This further improves the housing affordability level of the local population.

Source: Sniper Capital

Key individuals

Martin Tacon (aged 42), director of the Manager, is an experienced real estate professional, having been actively involved in transaction-driven real estate investment and finance for 21 years, 19 of which have been in Asia. He has operated in many Asian markets, and for the last three years has focused on Macau and the surrounding area.

During his career he has gained extensive experience with real estate funds, investment advisers, property developers and professional debt and equity investors and maintains a wide range of contacts and relationships throughout the Asian property industry.

He has hands-on experience in the real estate sector including feasibility analysis, concept design, development and construction, leasing and disposal, as well as real estate-related corporate finance.

He has an established record of identifying and capitalising on new real estate and other investment opportunities in Asia. He helped to build a pipeline in Asian real estate structured transactions for Zurich Re group and as an investment banker at Credit Suisse First Boston (“CSFB”) was responsible for coverage of the real estate sector. He also helped to build a Pan-Asian equity research business.

Prior to CSFB he was an Asian property sector analyst for HSBC Securities (then James Capel & Co), and prior to this he was involved in the establishment of a real estate consultancy business in Indonesia for Hong Kong based Vigers International.

He has raised capital for private real estate investment vehicles in Asia and helped raise capital for the hedge fund, Lynx Arbitrage, which he co-founded in 2002 and where he is a non-executive director. In addition to his work in Asia, he has been a director of a private UK investment property company, Melbobby Limited, for the past 15 years.

As a director of the Manager he is primarily responsible for evaluating and executing appropriate portfolio acquisitions and overseeing the development, positioning and management of the Company’s assets.

He is a Professional Member of the Royal Institution of Chartered Surveyors, has an MA (Hons) Economics from the University of Edinburgh, Scotland, and an M.Phil (Hons) Land Management from the University of Reading, England.

He is a British national and a permanent resident of Hong Kong.

Thomas Ashworth (aged 40), director of the Manager, has 19 years experience in international financial markets and investment management, 11 of which have been in Asia, as well as being an experienced private property investor in the United Kingdom and Asia.

Tom spent 10 years at HSBC Securities (formerly James Capel & Co), specialising in equity derivative products. He headed up UK Derivatives department for three years in London before moving out to Asia to establish an Asian equity derivatives department for the Group. He later joined Morgan Stanley in Hong Kong to develop their equity derivative business.

In 2000 he left Morgan Stanley to co-found EGS, a new brokerage business focused on serving global hedge funds. At EGS, he managed the Asia Pacific operations before it was taken over by Kim Eng Securities in 2003. He is a director of a pan-Asia hedge fund, Brooke Capital Limited.

He formed the Manager and the Investment Adviser with Martin Tacon in 2004 and 2005 respectively to provide tailored vehicles for Macau property investment and real estate management ventures. At the Manager he is primarily responsible for sourcing and evaluating portfolio acquisitions, structuring financing and capital raising, operations, compliance and investor liaison.

In the last three years he has established an extensive local network in Macau where he has undertaken several property-related ventures, involving widespread contact with property professionals, Government departments and Macau-based financial institutions and professionals.

He is a British national and a permanent resident of Hong Kong and Macau.

Speymill Macau (MCAU)

This raised US\$80m when it launched on AIM on 17/11/06. It invests in high quality residential property in Macau. It has made one investment to date:

On 1/12/06 it paid HK\$907m (US\$116.5m) for 243 residential units + 243 car parking spaces. These are in three towers of a six-tower luxury waterfront development.

This is as disclosed in its admission document except it has swapped the top four floors and bottom four floors in Tower 3 for equal number of middle floors in Towers 2 and 5 at equivalent prices per square foot.

The vendor is San You Development.

30% paid in cash now, 10% paid within c.12 months, rest on completion.

MCAU will use bank loans to cover the o/s costs.

CBRE gross development valuation of HK\$1.054bn (US\$135.5m) (as at 27/11/06) i.e. 16% increase on the purchase price.

www.londonstockexchange.com/LSECWS/IFSPages/MarketNewsPopup.aspx?id=1351720

This acquisition is not the same quality as the Tower Six, One Central bought by MPO. There are 49 towers planned or under construction in Macau, 17 to 63 storeys, 1792 storeys altogether. The quality of the towers is varied. Mediocre towers have seen demand and pricing falling as potential purchasers pull out or move on to a newer and better quality project. The key to picking the right Tower project is finding one with the best and most experienced developers with the highest quality client in mind. One Central has these qualities, proven by the presence of the prestigious 6-star Mandarin Oriental Hotel.

<http://www.skyscrapercity.com/showthread.php?referrerid=39159&t=405633>

Disclosure. Prices of securities mentioned are as at close of business on 5 March 2007, unless indicated otherwise.

Please note that all of the internet sites mentioned above are external and Collins Stewart Europe Ltd is not responsible for the content of external internet sites.

Research Recommendations issued by Collins Stewart Europe Limited in Q3 2006

Recommendations	Buys	Sells	Hold/Neutral
Percentage of Total	60%	20%	20%
Percentage of which in Corporate Client stocks	22%	2%	6%

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