Macau Property Opportunities Fund

NEWS RELEASE

10 November 2014

Interim Management Statement and Net Asset Value Update

"MPO's Adjusted NAV per share continued to grow during the period, partially helped by further opportunistic share repurchases to which the board remains fully committed.

"While recent headlines have highlighted Macau's falling gaming revenues, full year growth is forecast to be unchanged versus 2013 at a still impressive level of c. USD45 billion. We continue to view this as a healthy period of consolidation ahead of the next significant phase of casino-resort openings from 2015."

David Hinde
MPO Chairman

Macau Property Opportunities Fund Limited, managed by Sniper Capital Limited, today announces its Interim Management Statement and latest Net Asset Value (NAV) covering the three months to 30 September 2014.

Quarterly Highlights

- Adjusted NAV per share rose by 1.7% to US$4.97.
- Portfolio valuation, at US$543 million, translated to an uplift of 1.3% quarter-on-quarter.
- The Company repurchased and cancelled 3.2% of its issued share capital at a weighted average price of 246.85p per share.
- US$30 million cash was generated through a combination of new loan facilities and restructuring of existing debt covenants. The Company's loan-to-value ratio increased from 22% to 25% over the quarter with an outstanding loan balance of US$142 million as at 30 September 2014.
- Subsequent to the period-end, the Company entered into a promissory sales and purchase agreement to acquire a three-storey luxury private residence adjoining its existing property, *The Green House*, for a total cost of HK$182.45 million (US$23.5 million), or HK$28,000 (US$3,615) per square foot.

Financial Overview

- Unaudited Adjusted Net Asset Value (Adjusted NAV) per share as at 30 September 2014 was US$4.97, an increase of 1.7% quarter-on-quarter. In Sterling terms this was 306p, an increase of 7.2% (based on a US$/GBP£ exchange rate of 1.62 versus 1.71 as at 30 June 2014).
- MPO's portfolio was valued at US$543 million as at 30 September 2014, an increase of 1.3% over the previous quarter.

Managed by Sniper Capital

- A top-up facility and the removal of an early prepayment requirement on MPO's assets at One Central Residences generated a total of US$30 million in free cash.

- As at 30 September 2014, MPO's cash balance was US$28.2 million, of which US$5.9 million is pledged as collateral for MPO's banking facilities, resulting in free cash of US$22.3 million.

- Based on the Company's latest portfolio valuation and assuming a full drawdown of its committed loan facilities, MPO's total loan-to-value ratio stands at 25%, versus 22% as at the end of the previous quarter.

- The Company bought back and cancelled 3.2% of its issued share capital at a weighted average price of 246.85p, reducing the number of shares outstanding to 78,846,464. The Board remains fully committed to its buyback strategy so long as the shares can be repurchased at attractive discounts to Adjusted NAV.

- A summary of the Company's NAV figures[1] as at 30 September 2014 is as follows:

	30 Sep 2014	30 Jun 2014
Adjusted NAV (US$ million)	391.8	397.8
Adjusted NAV per share (US$)	4.97	4.89
Adjusted NAV per share (GBP£)[2]	3.06	2.86
NAV (IFRS) (US$ million)	212.3	222.9
NAV per share (IFRS) (US$)	2.69	2.74
Share price as at period end (GBP£)	2.38	2.54
Share price discount to Adjusted NAV (%)	22.2	11.2
Portfolio valuation (US$ million)	543.0	535.8
Loan-to-value ratio (%)	25	22

1 The Company's Net Asset Value (NAV) as at 30 September 2014 has been prepared in accordance with International Financial Reporting Standards (IFRS). Adjusted NAV is shown after accruing for the performance fee (if any) and is calculated by taking the NAV per share calculated under IFRS and adjusting inter alia to include the properties owned by the Company at fair value rather than at the lower of cost and net realisable value. All properties in the Company's portfolio have been independently valued by Savills (Macau) Limited as at 30 September 2014.

2 Based on the US$/GBP£ exchange rate of 1.622 and 1.710 as at 30 September 2014 and 30 June 2014 respectively.

"MPO's high quality portfolio remains well-placed to benefit from what continues to be one of the highest economic growth rates in the world."

David Hinde
MPO Chairman

Portfolio Overview

- MPO entered into a promissory sales and purchase agreement to buy a c. 6,500 square feet three-storey villa adjoining its existing 5,200 square feet luxury standalone property, *The Green House*, located in Macau's prestigious neighbourhood of Penha Hill. The total acquisition cost of HK$182.45 million (US$23.5 million), accounting for c. 4% of MPO's portfolio value as at 30 September 2014, equates to HK$28,000 (US$3,615) per square foot. Funded by a combination of cash and bank financing, this opportunistic acquisition is expected to release significant additional value through consolidating it with *The Green House* into a single detached residence, which are rare and highly sought after assets in Macau.

- The drive for higher rental growth at *The Waterside*, the Company's principal investment asset, has yielded good results; several new leases were secured at HK$30 (US$3.88) per square foot and above. The highest monthly rental for standard units achieved subsequent to the period-end was HK$33.77 (US$4.35) per square foot, which compares favourably to the maximum of HK$28.85 (US$3.72) per square foot achieved as at end-September. Even more encouragingly, one of the duplexes was recently leased out at HK$42.95 (US$5.54) per square foot per month. Occupancy levels, meanwhile, dipped to 76% after reaching 80% in the previous quarter. The Company will maintain a twin focus on driving rental growth and stabilising occupancy at 75% or higher. A general enhancement programme for all standard units is also in the pipeline. Separately, strategic marketing campaigns designed to reinforce the prestige of *The Waterside's* brand continued, with a new privileged Platinum card for residents launched in September.

- *The Fountainside,* MPO's niche residential development on Penha Hill, is expecting to receive its Occupancy Permit by year-end. Units will then be handed over to buyers upon receipt of final payments, with an anticipated cash inflow of HK$151.0 million (US$19.5 million). Separately, two standard units were sold over the quarter at an average price of HK$8,668 (US$1,120) per square foot. Fifteen units, comprising nine standard units, two duplexes and four villas, remain in the final sales phase, with target prices established at up to HK$16,700 (US$2,153) per square foot.

- MPO has resubmitted the revised drawings for the *Senado Square* retail development as a full architectural submission package. A full structural submission will be made following a formal response to the application, which is expected by end-2014. Construction is expected to start by Q4 next year after all necessary approvals have been received, with project completion targeted by end-2017.

Property Market Overview

- Property transaction volumes continued their decline though home prices remained supported by healthy housing demand and tight supply. Industry experts expect the number of transactions to edge lower for the rest of the year in the face of ongoing property curbs.

- Nevertheless, they remain broadly positive about the market, which is still backed by a growing economy, rising incomes and the upcoming opening of new casino resorts on the Cotai Strip. The latter should bring an inflow of expatriate workers and an accompanying increase in housing demand.

- The rising number of foreign workers is also expected to lend further support to Macau's rental market. Rental prices of mass and high-end residential properties increased by 12% and 7% respectively over the first half of the year and are expected to gain further in the second half as supply remains inadequate to meet solid demand from the different strata of new migrant workers.

- Public housing targets for the short, medium and long term have been established, with the government intending to make available 4,400, 1,400 and 28,000 flats in the three periods respectively. These are unlikely to have much impact on the high-end residential sector, however, given the different target market.

- More units in the secondary market are expected to come on stream in light of the handover process of phase 1 of One Oasis in Cotai, comprising 870 units, in July. Rental rates are expected to continue their uptrend, however, in view of strong demand.

- Macau's neighbouring city of Zhuhai has eased restrictions on property purchases. Foreign homebuyers are no longer required to show proof of social security contributions and tax payments when buying properties which are 144 square metres or larger.

Macau Overview

- Macau's gaming revenues fell for the fourth consecutive month in September, buffeted by weakness in the VIP segment. Total gaming revenues dropped 11.7% year-on-year to US$3.2 billion, the first double-digit decline since June 2009. However, full year gaming growth is forecast to be flat on 2013 at c. US$45 billion – a figure that has grown almost eight times in only a decade.

- The downward trend in casino revenue is unlikely to reverse in the near term, however, given China's slowing economy and Beijing's anti-graft drive. A newly implemented smoking ban in casinos has added to the uncertainty. Even the government has acknowledged that the gaming industry is entering a more stable phase after a decade of rapid development; it expects single-digit growth this year.

- Short-term headwinds notwithstanding, there is broad consensus that in the medium and longer term, Macau's under-penetrated gaming market will continue to grow, propelled by new capacity with the opening of mega-casinos on the Cotai Strip and improved infrastructure and rail links.

- There was better news on the tourism front. For the year to August, more than 21 million tourists visited Macau, an increase of 8% year-on-year, with the number of mainland Chinese visitors continuing to grow at an above-average rate of 14% year-on-year. The government expects visitor arrivals for 2014 to hit a new record of over 30 million; last year, Macau welcomed 29.3 million visitors.

- According to the Pacific Asia Travel Association, Macau's annual tourism revenue could reach US$110 billion next year – more than double that of 2012.

- Further positives came from strong second-quarter GDP growth data. The economy expanded by 8.1% year-on-year on the back of healthy investment and tourism, far ahead of its counterparts in the rest of Asia.

- Meanwhile, plans for a 24-hour border crossing at the Zhuhai-Macau cross border industrial zone for Macau residents and migrant workers were unveiled. The Light Rapid Transit railway may also be extended into Hengqin via an underwater tunnel.

Risk Factors

- Macau's casino revenues, impeded by the lacklustre high-roller segment, are expected to remain under pressure for the rest of the year. There are also concerns that the sector will be impacted by stiff regional competition.

- A recent surge in labour unrest is forcing casino operators to boost wages and improve benefits, with the subsequent increase in labour costs. Given Macau's current record-low unemployment rate of 1.7%, there are estimates that labour costs could increase by as much as 15% annually for casino companies in the coming years.

- Apart from the challenges of labour shortages and rising costs, delays in obtaining government approvals remain a risk factor for all property developers in Macau.

- A potential hike in US interest rates in the next couple of years could hurt Asian property markets, including Macau's.

Outlook

Worries about Macau's gaming revenues have taken centre stage and are likely to remain at the fore in the near term. Looking further out, however, we believe that Macau remains firmly on track to enter its next phase of growth as new integrated casino resorts on the Cotai Strip open and complimentary developments on the neighbouring island of Hengqin gather pace.

Against such a backdrop, we will remain focused on building and growing shareholder value through asset enhancement initiatives, the redevelopment of existing projects and prudent financial management.

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About Macau Property Opportunities Fund

Macau Property Opportunities Fund Limited is a closed-end investment company registered in Guernsey. Listed on the London Stock Exchange's main market, it is also a constituent stock of the FTSE All-Share and FTSE SmallCap indices.

Launched in 2006, the Company targets strategic property investment and development opportunities in Macau and mainland China's western Pearl River Delta. Its current US$543 million portfolio comprises a mix of well-positioned residential and retail property assets.

The Fund is managed by Sniper Capital, an Asia-based property investment manager with an established track record in fund management and investment advisory.

www.mpofund.com

About Sniper Capital Limited

Founded in 2004, Sniper Capital Limited is a property investment manager focused on investment, development and redevelopment opportunities in niche and undervalued markets across Asia. With a particular focus on and presence in Macau, Sniper Capital has also been involved in real estate activity in Hong Kong, China and Thailand.

Over the last decade Sniper Capital has demonstrated a proven capacity to successfully manage complex projects through all cycles and over the long term, adding value to its real estate projects and generating strong returns for investors through careful management, an on-the-ground presence and a focus on maximising shareholder value.

Today, Sniper Capital manages a range of funds with combined assets of US$600 million, including its flagship LSE-listed Macau Property Opportunities Fund (MPO.L), which is a constituent stock of the FTSE All-Share and SmallCap indices. Sniper Capital also manages the unlisted Macau Leisure Income Fund and Macau Sniper Fund, both of which have delivered significant returns for their investors.

www.snipercapital.com

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