



Antique decorations at *The Fountainside*, where the handover of units is underway.

The handover of pre-sold units at *The Fountainside* is almost complete. Occupancy levels at *The Waterside* have declined further. Renovation work remains ahead of schedule at *Estrada da Penha*. Further share buybacks were conducted.

QUICK FACTS

Exchange.....	London Stock Exchange
Domicile.....	Guernsey
Market Capitalisation.....	£162 million
Share Price.....	£2.09
Portfolio Valuation.....	US\$518.3 million ¹
Loan-to-Value.....	30.8% ²
Adjusted NAV per share.....	US\$4.41/ £2.97 ^{1,3}
Discount to Adjusted NAV.....	29.6%

MANAGED BY  Sniper Capital

¹ As at 31 March 2015.

² Assuming a full drawdown of MPO's committed loan facilities and based on MPO's portfolio value as at 31 March 2015.

³ Based on a US\$/£ exchange rate of 1.484 as at 31 March 2015.

All remaining data as at 30 June 2015.

- **Handover of units at *The Fountainside* almost complete.** 24 out of 27 units were handed over to buyers, generating income of US\$23 million.

- ***Estrada da Penha* ahead of schedule.** Renovation works to combine the two adjoining properties should be completed in the third quarter.

- **Occupancy continued to decline at *The Waterside*.** Occupancy reached 43.9% as at the end of June.

- **Ongoing share buybacks.** 950,000 shares were repurchased at an average price of 214.21p per share.

- **Visa rules relaxed.** Mainland Chinese will be able to stay in Macau for seven days, up from the current five.

- **Gaming revenue fell 36.2% year-on-year.** At US\$2.2 billion, June's gaming revenue marked the 13th straight month of declines.

FUND

The Fund's cash position remains steady with a free cash balance of US\$23.1 million as at 31 March. Its share price was £2.09 as at the end of June, a 3.7% decrease from the previous quarter and a 11.8% drop since the start of the year. Debt stands at US\$167.5 million, equating to a loan-to-value rate of 30.8%.

950,000 shares were repurchased at an average price of 214.21 per share and cancelled as part of an ongoing share repurchase programme. The Board remains firmly committed to buying back shares at attractive discounts to Adjusted NAV.

The Fund's annual financial results as at 30 June 2015 will be released in late September.



The Waterside offers excellent location and top-range facilities.

PORTFOLIO

THE WATERSIDE

Occupancy has continued to decline at *The Waterside*, reaching 43.9% as at the end of June. Average monthly rentals are HK\$27.48 (US\$3.55) per square foot, a decrease of 3.6% from the previous quarter and up 6.4% year-on-year. Of six expiring leases at the property during the quarter, three were renewed at an average monthly rental rate of HK\$23.50 (US\$3.04) per square foot, 13.1% lower than in the previous quarter.

While a rebound in occupancy levels in the near term is likely to remain elusive, we have taken practical steps to counter softer demand through initiatives such as offering agent incentives, rental discounts and advance rental payments. Nevertheless, rental values remain at a substantial premium to comparable apartment offerings, reflecting *The Waterside's* unprecedented market positioning. The building remains one of the most desirable residential addresses in the city due to its excellent location and top-range facilities.

We are also implementing measures to boost tenant diversification, particularly as Macau attracts a wider range of executives, partly driven by the development of the upcoming Cotai resort developments.

Our existing programme of enhancements to *The Waterside* continues, in line with our ongoing strategy to ensure that *The Waterside* remains Macau's premier waterfront address. Work is currently being carried out in certain units, as part of a broader programme to enhance all units at *The Waterside*. Improvements include a refreshed look and feel with changes to furniture and lighting that maximise the residences' aesthetic appeal and potential rental returns.

THE FOUNTAINSIDE

The handover to buyers of 24 out of 27 sold units among the development's 42 residences was completed in June, generating income of HK\$179 million (US\$23 million).

June also saw the beginning of a sales campaign for car parking spaces, which has seen strong demand and uptake in available spaces by residents. By the end of the month 5 of 26 spaces had been sold, yielding combined revenue of HK\$13.8 million (US\$1.8 million) and setting a new record price of HK\$3 million (c. US\$400,000) for a single space. There are currently no caps on the number of cars allowed in Macau, and the growing number of car owners is driving demand for car parking spaces in the city. Availability of car parking spaces remains limited, due to the constrained land supply.

ESTRADA DA PENHA

Renovation work is ahead of schedule at the Fund's latest property acquisition, *Estrada da Penha*, a three-storey villa adjoining the previously named *Green House*. Upon completion, this project will combine the two properties as a single, one-of-a-kind 10,000 square feet residence offering sweeping views of the Macau Tower and Hengqin Island.

Works at *Estrada da Penha* are expected to be complete by the end of the third quarter of 2015. Despite the slowdown in Macau, there remains strong demand for ultra-exclusive residences – particularly well-located detached homes.

SENADO SQUARE

Following changes to planning processes implemented by Macau's Land, Public Works and Transport Bureau in January, it became necessary to obtain a new alignment plan – which confirms a development's permissible plot ratio – and undergo a public consultation process before the submission of revised architectural plans is permitted. We now expect to submit detailed plans in the first quarter of next year and, conditional upon receiving all necessary approvals, to begin construction before the end of 2016.

MACAU

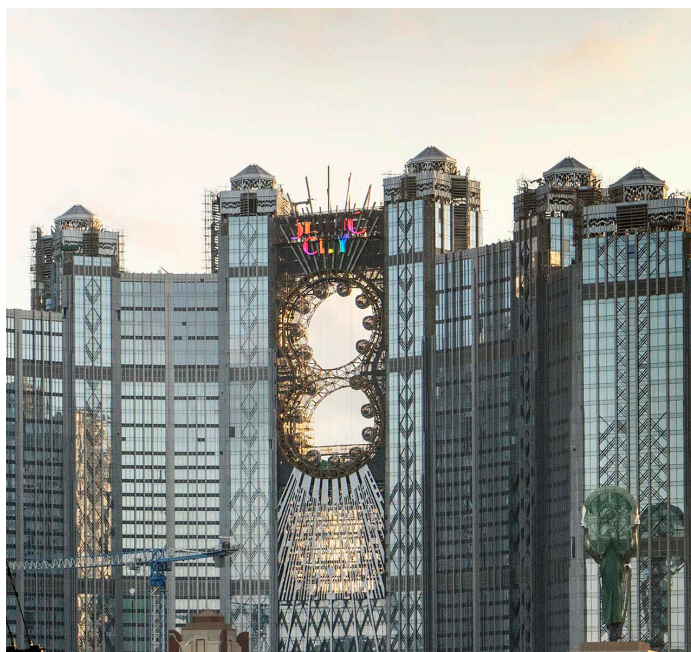
In the first quarter, the GDP of Macau contracted 24.5%, following a fall of 2.3% and 17.2% in the third and fourth quarter of 2014, respectively. For the second quarter of 2015, several analysts – including the Bank of China – are predicting contraction of around 20%.

The downturn this year and the expected recovery in 2016 are closely linked to the evolution of the gaming industry and related sectors, given the high economic dependency of the city upon them. The opening of new properties and the positive effect on casino revenues from Galaxy Phase II and Studio City are likely to lend some steam to the economy and government taxes. Investment and the export of services are set to resume growth next year, according to the EIU.

Credit Suisse analysts, however, spot “some green shoots” of possible recovery, recognising signs of stabilisation. The gaming revenue decline of 37% in May was better than the 39% fall in April, and monthly mass revenue rose an estimated 9% from April, stronger than the average of 6% for 2008-14. With the reported US\$2.2 billion gaming revenue in June signifying a 36.2% month-on-month decrease, BNP Paribas expects Macau's operating environment and demand to remain weak, projecting only 2% growth for the second half of 2015. Furthermore, the Macau government has warned that the city's gaming revenue could continue to drop further in the coming months, with some analysts believing that the imminent smoking ban could negatively impact gaming revenue.

Macau has been facing declining visitor arrival figures, but the situation is expected to improve, given the Chinese government's recent announcement that transit visa rules will be relaxed for its citizens, allowing them to stay in Macau for seven days, up from the current five. Chinese visitors will also be able to visit Macau twice a month, rather than twice in 60 days.

Visitor arrival figures have also declined. In the first five months of 2015, visitor arrivals totalled 12,508,218, down by 2.7% year-on-year. Visitors from Mainland China (8,349,603) and Hong Kong (2,631,363) decreased by 3.1% and 0.7% respectively year-on-year, while those from Taiwan (385,225) and the Republic of Korea (262,157) increased by 1.4% and 16%.



Studio City Macau in Cotai, which is set to open in the second half of the year.

PROPERTY

The local real estate market saw 664 transactions in April, representing an increase of 62% month-on-month. Based on official data, housing prices in Taipa were the most expensive.

Of the city's unfinished homes, average saleable area has shrunk from 904 square feet as at May 2013 to 807 square feet in April this year, available data released by the Financial Services Bureau shows. The average price for these homes was MOP13,246 (US\$1,656) per square foot in April.

According to the Monetary Authority of Macau, the number of new residential mortgage loans (RMLs) approved by local banks in April reached MOP4.4 billion, representing a month-to-month decrease of 11.7%. In addition, 94.6% of RMLs were granted to Macau residents. In terms of value, new RMLs granted to residents and to non-residents decreased by 10.7% and 25.1% respectively.

The president of the Association of Property Agents and Realty Developers of Macau, Ung Choi Kun, believes that the local real estate market will stabilise in the second half of the year, with only slight volatility appearing in housing prices. Ung believes that there will be only be a slight fluctuation in housing prices during the second half of the year, given the upcoming openings of the gaming projects in Cotai, which are boosting the city's employment and tightening human resources, all of which are keeping the market buoyant despite declining gaming revenues.

Macau's government has, in recent months, repossessed more than 193,750 square feet of land previously granted to several companies, as landholders have failed to develop them for their designated use. There are hopes that some of the land plots will be channelled towards developing residential units.

FURTHER INFORMATION

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ABOUT THE FUND

Macau Property Opportunities Fund Limited is a closed-end investment fund 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 Fund targets strategic property investment and development opportunities in Macau and mainland China's western Pearl River Delta. Its current US\$518.3 million portfolio comprises a mix of well-positioned residential and retail property assets.

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

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