



Renovation works at *Estrada da Penha* have been completed.

**The handover of sold units at *The Fountainside* has been substantially completed. Macau's economic contraction continued to adversely impact occupancy levels at *The Waterside*. Renovation works at *Estrada da Penha* were successfully completed.**

## QUICK FACTS

Exchange.....	London Stock Exchange
Domicile.....	Guernsey
Market Capitalisation.....	£120 million
Share Price.....	157p
Portfolio Valuation.....	US\$463.7 million <sup>1</sup>
Loan-to-Value.....	34% <sup>2</sup>
Adjusted NAV per share.....	US\$3.97/ 253p <sup>1,3</sup>
Discount to Adjusted NAV.....	38%

MANAGED BY  Sniper Capital

<sup>1</sup> As at 30 June 2015.

<sup>2</sup> Assuming a full drawdown of MPO's committed loan facilities and based on MPO's portfolio value as at 30 June 2015.

<sup>3</sup> Based on a US\$/£ exchange rate of 1.573 as at 30 June 2015.

All remaining data as at 30 September 2015.

- ***The Fountainside* handover of units.**

26 of the 27 sold units were handed over to buyers. Total income generated, including parking lots, was HK\$224.5 million (US\$28.9 million).

- ***Estrada da Penha* enhanced by renovation works.** This unique c.12,000 square feet residence offers panoramic views of Macau and Hengqin Island.

- **Decline in occupancy level at *The Waterside*.**

Occupancy as at quarter end stood at c.35%, with 20 units leased as compared to 24 units in the last quarter.

- **Opportunistic share buybacks to enhance shareholder value.** 1.4% of issued shares were repurchased at an average discount to the latest adjusted NAV of c.30%.

- **Macau's economy continues to adjust.** The local monetary authority forecasts that Macau's economy will contract by 15% this year due to falling gaming revenues.

- **China's anti-graft campaign continues.**

26 government bodies and state-owned companies were implicated during the second round of corruption inspections.



## FUND

The Fund released its results in September for the year ended 30 June 2015.

MPO's portfolio valuation saw its first annual drop – by 14.0% – in six years, partly due to weaker gaming revenues which has affected property market sentiment. The Fund's portfolio was worth US\$463.7 million as at 30 June 2015, translating into an Adjusted NAV of US\$308.0 million. Adjusted NAV per share was US\$3.97 (c.253p), a drop of 18.7% for the year.

The Fund remains committed to share buybacks. During the quarter, 1,101,000 shares worth £1.9 million were repurchased and cancelled.

The Fund's latest estimated Adjusted NAV per share value as at 30 September 2015 will be released in November.



A sales campaign was held at *The Fountainside* to promote sales for the unsold units.

## PORTFOLIO

### THE WATERSIDE

Occupancy levels remained under pressure. As at the end of the quarter, occupancy was 35%, a decline from last quarter's 43.9%.

While average monthly rentals were HK\$27.28 (US\$3.50) per square foot, a fall of only 0.73% from the previous quarter, we expect rental values to start to decline. Of the nine expiring leases during the quarter, three were renewed at an average monthly rental rate of HK\$23.46 (US\$3.01) per square foot or 14% lower than the building's average.

Our asset management efforts continue with the implementation of proactive strategies to stabilise occupancy and maintain rental values. Some of the initiatives include having a diversified tenant mix, providing rental discounts, implementing advance rental payment to discourage early lease termination, and offering attractive incentives to agents to drive leasing transactions.

The asset enhancement programme is progressing well and on schedule. Six units have been completed with five more currently in progress. The enhancement works are expected to continue progressively over the next year.

### THE FOUNTAINSIDE

The handover of 26 of 27 sold units was completed with a total amount of HK\$202.6 million (US\$26.1 million) received in final payments.

A sales campaign was held in September to promote and drive sales for the remaining unsold units. Parking lots have proven to be popular, with eight car lots and one motorcycle lot sold for a combined value of HK\$21.9 million (US\$2.8 million) during the quarter. We expect demand for parking lots to continue. There is no cap on the number of motor vehicles allowed in Macau and the growing motor vehicle ownership continues to drive demand for parking spaces in the city.

### ESTRADA DA PENHA

Renovation works were completed in September. *Estrada da Penha* is now a single, ultra-premium detached residence spanning c.12,000 square feet and offers panoramic views of Macau and neighbouring China. We plan to hold on to the asset, which is located in the exclusive Penha Hill neighbourhood, until an opportune time to divest it is identified.

### SENADO SQUARE

We are currently awaiting a new urban conditions plan – which confirms a development's permissible plot ratio – to be issued for the *Senado Square* project. This is due to the changes implemented by Macau's Land, Public Works and Transport Bureau in January this year.

A public consultation process is also required before the submission of the development's revised architectural plans. Despite these delays, we remain optimistic and are working towards submitting detailed plans in Q1 2016 and, subject to the receipt of all necessary governmental and regulatory approvals, to begin construction before the end of 2016.

# MACAU

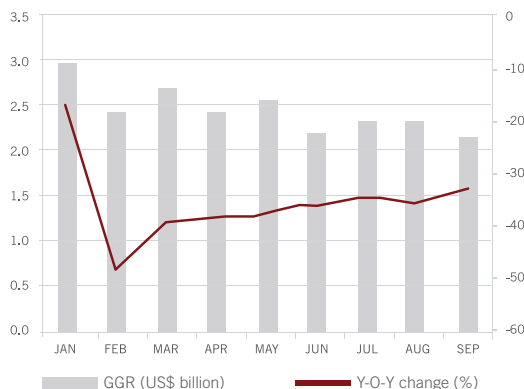
Macau is undergoing a period of adjustment. The Monetary Authority forecasts Macau's economy will contract by approximately 15% this year. In addition, the city's Gross Domestic Product for the second quarter shrunk 26.4% year-on-year, a further drop from the 24.5% in the first quarter. The contraction was mainly attributed to declining revenues in the gaming and tourism industries. The gross gaming revenue in September was US\$2.1 billion, representing a 33% year-on-year decrease. This was consistent with previous recent monthly declines.

China's anti-graft campaign continues which has kept market sentiment negative. 26 government bodies and state-owned companies were implicated in the second round of the anti-graft campaign, which included the People's Daily newspaper and several companies with a significant presence in Hong Kong.

Meanwhile, transit visa rules were relaxed as at 1 July, which analysts and market watchers saw as a move to mitigate the negative impact on Macau's gaming industry. While visitor arrivals continued to fall in August to 3 million, representing a 1.7% year-on-year drop, this was an improvement over June's figure, which saw only 2.25 million visitors, the lowest since 2012.

The Economic Intelligence Unit expects the city's economic growth to reach 6.7% in 2016. It also predicts that gaming revenue will increase, but at a much lower level than that previously experienced, in the later part of the year.

## GROSS GAMING REVENUE (GGR) (for the first nine months of 2015)



Source: DICJ

## RESIDENTIAL PRICE INDEX



Source: Savills

# PROPERTY

The average prices of residential properties declined 17% year-on-year in August to HK\$7,584 (US\$980) per square foot, based on data from Macau's Financial Services Bureau. The number of transactions registered was 443, a 22% drop over the year.

Property consultant Jones Lang LaSalle (JLL) predicts Macau's property market will continue to consolidate in the second half of the year. JLL's data showed that newly completed residences were launched at discounted prices in the first half of the year, resulting in the capital value for high-end residential sectors to decline by 17% year-on-year during the first half of the year.

According to a recent market forecast by Savills, the supply for mid-to-high end residential properties is expected to be significantly reduced in 2016 – a decline from the 4,347 units in 2015 to only 271 units.

Despite the current downturn, the long-term drivers of property values – population growth, rising incomes, tight housing supply and scarcity of land – remain firmly in place. The opening of new resorts in 2016 is likely to draw more visitors and bring in more foreign workers, providing support for the market.

## FURTHER INFORMATION

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Bloomberg: MPO LN  
Reuters: MPO.L

### 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\$463.7 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.

[www.mpfund.com](http://www.mpfund.com)

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