



A newly-refurbished unit at *The Waterside*.

QUICK FACTS

Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£96 million
Share Price	125p
Portfolio Valuation	US\$405.7 million ¹
Loan-to-Value	39.0% ²
Adjusted NAV Per Share	US\$3.21/ 218p ^{1,3}
Discount to Adjusted NAV	43%

¹ As at 31 December 2015.

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

³ Based on a US\$/£ exchange rate of 1.473 as at 31 December 2015.

All other data are as at 31 March 2016.

Occupancy level at The Waterside continued to improve during the quarter. Macau's property market remained muted primarily due to the Lunar New Year holiday season, hindering further sales of units at The Fountainside.

Occupancy at *The Waterside* edged up further.

A total of eight new leases were secured during the quarter.

Promotion of *The Fountainside* continues.

15 remaining units are available for sale.

***Estrada da Penha* showcased.**

High quality renderings and floor plans have been produced to help prospective buyers to visualise the full potential of the property.

The Urban Condition Plan for *Senado Square* is pending.

The successful receipt will pave the way for submission of the Architectural Concept Plan.

Macau's gaming sector is still undergoing a paradigm shift.

Integrated resorts continue to focus on the mass gaming segment and non-gaming offerings to increase profitability.

Average home prices have declined 18% year-on-year.

Home prices and sentiment continue to languish due to the current weak economy.

FUND

The Fund released its interim results in February for the six-month period ended 31 December 2015.

MPO's Adjusted NAV was US\$245.5 million as at 31 December 2015, translating to US\$3.21 (218p) per share, an 8.8% dip from the

previous quarter.

The market valuation of the Fund's portfolio declined 5% quarter-on-quarter to US\$405.7 million. The Chinese mainland's anti-graft campaign is still the primary factor contributing to the downturn in the gaming industry, which in turn

affects transactions and sentiment in the property market.

As at 31 December 2015, MPO retained a cash position of US\$20.7 million, of which US\$3.2 million was pledged as collateral for debt facilities. The Fund's overall loan-to-value ratio stood at 39%.



Artist's impression of the living room in *Estrada da Penha*.

PORTFOLIO

THE WATERSIDE

Occupancy at *The Waterside* climbed from 41% at end of Q4 2015 to 47% this quarter, with eight new leases secured. We are making continued progress in achieving a diversified tenant-mix, with approximately 60% of the leased units occupied by tenants from non-gaming sectors.

Macau's lacklustre economy and softening property market continue to pose challenges to the city's leasing market. Although occupancy at *The Waterside* is recovering gradually, average rental rates have declined to HK\$20.89 (US\$2.68) per square foot – an 8.9% decline from last quarter's.

Since the commencement of our asset enhancement programme, we have refurbished 19 of the 59 units in the tower, and we expect to complete a further 11 units by mid-June. As improvements are carried out, we continue to execute marketing plans to achieve higher occupancy rates and rental values for the development.

THE FOUNTAINSIDE

We are working towards completing the handover for the last sold unit, for which a final payment of HK\$7.8 million (US\$1 million) is due upon completion.

The remaining 15 units, including four villas, available for sale are being marketed at an average price of HK\$9,812 (US\$1,258) per square foot.

Sales activity is expected to remain muted in the medium term, in light of the economic climate. Interested buyers are negotiating aggressively in the hope of securing attractive discounts.

The sale of parking lots is ongoing, at an average asking price of HK\$2.7 million (US\$346,000) per lot.

In an attempt to further reduce traffic congestion in Macau, the government has recently increased its tax on new vehicles by around 20%, following a move in Q4 2015 in which parking fees were raised at selected carparks. The new regulations

may affect car ownership and dampen sales of car parking spaces at *The Fountainside*.

ESTRADA DA PENHA

To showcase the full potential of *Estrada da Penha*, we have engaged a respected Hong Kong architect to create a series of renderings and floor plans for this unique property. These impressions will allow prospective buyers to visualise the stunning aesthetic potential of the space.

SENADO SQUARE

We continue to make progress with our *Senado Square* development. Long-awaited approval for the Urban Condition Plan (UCP) is in its final stages, having involved a period of public consultation. Once this process has been completed, we hope to receive endorsement from the city planning bureau in April, followed by the issuance of the UCP, which will pave the way for submission of the Architectural Concept Plan.

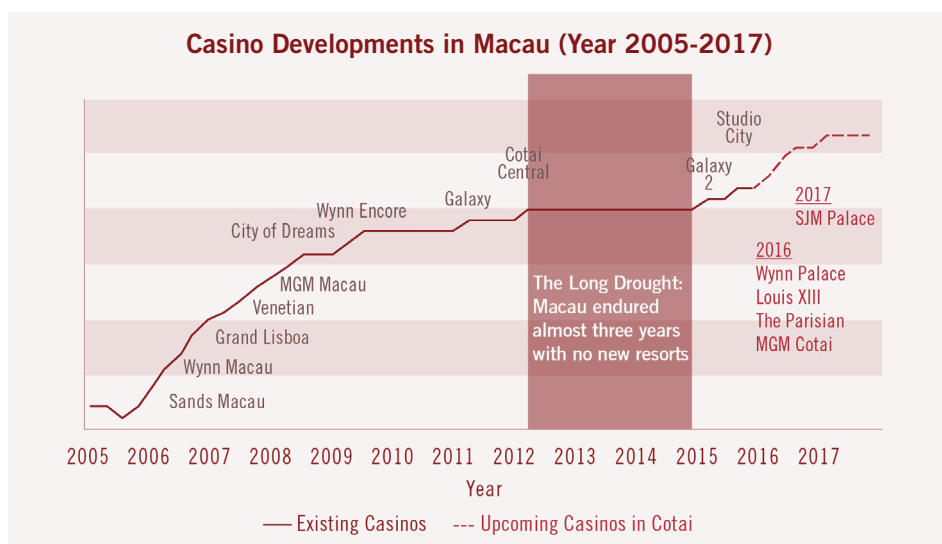
MACAU

China's anti-graft campaign continues to take its toll on Macau's economy. Gross domestic product (GDP) fell 20.3% in 2015, accelerating a decline of 0.9% in 2014. With the expectation that capital investment in upcoming casino resorts will cushion the negative impact of the gaming sector on the wider economy, Fitch Ratings predicts that Macau's GDP decline will slow to 6.5% in 2016.

Although it remains too soon to draw firm conclusions, the decline in gross gaming revenue (GGR) is showing early signs of slowing. GGR for February was flat for the first time in 20 months, although the figure for March was US\$2.2 billion, a decline of 16.3% year-on-year.

The mass gaming market, which is regarded as less volatile and more profitable in the long term, accounted for about 75% of table-gaming profit for Macau's casinos in Q4 2015. This segment is now the key profit driver for all six casino operators, as opposed to only two in 2011.

The performance of Macau's upcoming casino resorts will be crucial to the health of the gaming industry this year. The opening of seven new resorts over a period of three years (2015 to 2017) is a record-breaking expansion for the territory. The supply of hotel rooms will also double to approximately 50,000, though less than one third of Las Vegas', and there will be more non-gaming offerings and convention facilities. These additions will end Macau's longest pause in new resort development and further expand mass-market tourism in the city.



Source: Bloomberg

Macau received 2.6 million visitors in February, a 1.2% decrease year-on-year. Following the relaxation of transit visa restrictions in July last year – the first tourism-friendly policy to be introduced in recent years – the number of visitors travelling on transit visas in the past few months has rebounded to early 2014 levels. The number of overnight visitors rose 7.9% year-on-year in February to reach 1.2 million.

The Chinese government has recently approved the country's five-year plan – the economic and social development blueprint for the period 2016-2020. One of the initiatives is the extension of Individual Visitor Scheme (IVS) to another 35 cities in mainland China from the current 49 cities, which accounts for only 26% of the entire China's population.

Under the IVS, residents from these cities are able to enter the Special Administrative Regions in their individual capacity. The expansion of the IVS will have an impact on Macau as the territory could experience a surge in the number of tourists as a result. Other initiatives that are expected to drive visitation to the territory include the possibility of allowing tour groups to enter the Pearl River Delta region without the need for a visa and expediting the completion of infrastructure projects such as the Hong Kong-Zhuhai-Macau bridge.

We believe that the easing of the transit visa policy, coupled with the city's focus on mass-market tourism, should propel Macau towards its aspiration of becoming a world-class tourism hub in 2016 and beyond.

Upcoming Integrated Resorts in Macau

Company	New Resort	Opening Period	No. of Hotel Rooms	Non-Gaming Offerings
Wynn Macau	Wynn Palace	2H 2016	1,700	Performance lake and gondolas, event facilities, retail and restaurants
Sands China	Parisian	Oct 2016	3,000	Eiffel Tower replica, event facilities, retail and restaurants
MGM China	MGM Cotai	Dec 2016	1,600	Theater, event facilities, retail and restaurants
SJM	Cotai Palace	2017	2,000	Wedding pavillion, theater, event facilities, retail and restaurants

Source: Bloomberg

4Q 2015 Table Game Results (US\$ million)

Company	VIP Table Win	VIP Profit (at 13% margin)	Mass Table Win	Mass Profit (at 40% margin)	Mass as % of Revenue	Mass as % of Profits	2011 Mass as % of Profits
Sands China	544	71	897	359	62%	84%	66%
Melco Crown	444	58	525	210	54%	78%	40%
SJM*	714	93	690	276	49%	75%	55%
MGM China	293	38	248	99	46%	72%	40%
Wynn Macau	339	44	229	92	40%	68%	40%
Galaxy	884	115	584	234	40%	67%	30%
Total / Average	3,218	418	3,173	1,269	50%	75%	

* SJM Mass Win includes both table and slot win

Source: Bloomberg

PROPERTY

Property market transactions remained subdued during the quarter, largely due to the Lunar New Year holiday, which is traditionally a quiet period for the property market with little activities.

According to the latest statistics from the Financial Services Bureau, the number of residential transactions in the month of February registered a 14% year-on-year dip to 268 units. Average home prices also declined 18% year-on-year to MOP6,850 (US\$856) per square foot during the same period.

Given the slowdown in the economy, buyers are more cautious during negotiations and they generally seek

significant discounts. Property owners, however, are adopting a wait-and-see approach. This mismatch of expectations between buyers and sellers has been the primary reason for the reduced number of residential transactions.

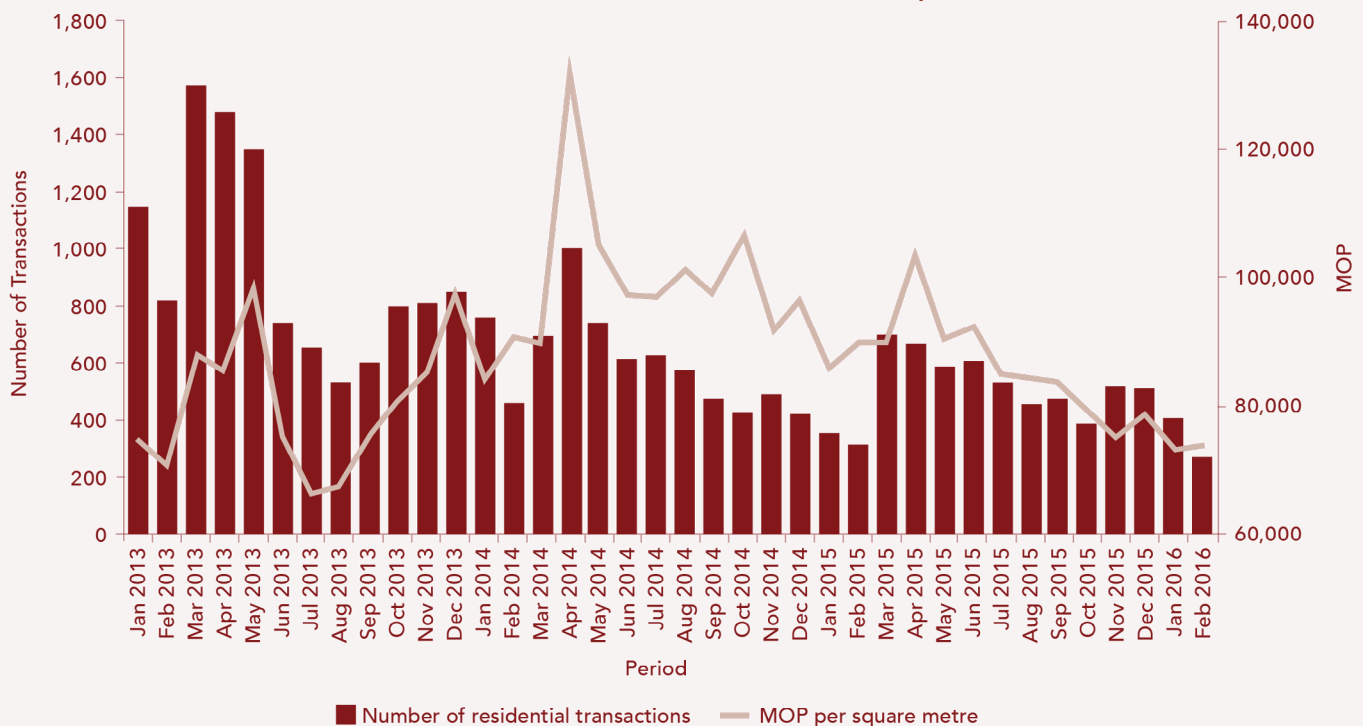
We do not expect residential sales transactions to rebound in the near term unless sellers are willing to compromise during negotiations and yields return to attractive levels.

Purchase of residential properties by non-residents contracted sharply in 2015, with value falling 66% year-on-year to MOP2,194 million (US\$274 million). On the rental front, leasing activity remained

dominated by expatriates, with one-bedroom apartments – especially those at One Oasis and Nova City – in demand and achieving average monthly rental rates of c. MOP10 (US\$1.30) per square foot.

Government statistics show that Macau's total population at the beginning of 2016 was 646,800, a 1.7% increase from a year earlier, and that number is expected to rise to 752,000 by 2021. The increase in population coupled with the trend of branch families – division of a family unit into new households – will elevate the demand for housing. Hence, we believe the upcoming supply of residential accommodation will be well-absorbed by the city's change in demographic profile.

Number of Residential Transactions and Price Per Square Metre



Source: Financial Services Bureau

FURTHER INFORMATION

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Stock Codes:

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 board, it is also a constituent stock of the FTSE All-Share and FTSE Small Cap 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 portfolio, a mix of prime residential and retail property assets, was worth US\$405.7 million as at 31 December 2015.

About Sniper Capital

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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