

Residents of *The Waterside* will enjoy privilege access to the infinity pool at One Central Residences.

### QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£80.3 million
Share Price	105p
Number of Principal Properties	Four
Total GFA	307,130 sq ft <sup>1</sup>
Portfolio Valuation	US\$388.1 million <sup>2</sup>
Adjusted NAV per share	US\$2.95/205p <sup>2,3</sup>
Discount to Adjusted NAV	48.8%
Cash Balance	US\$17.6 million <sup>2</sup>
Total Debt	US\$164.6 million <sup>2</sup>
Loan-to-Value Ratio	40.6% <sup>4</sup>

<sup>1</sup> Including the 27 sold units at *The Fountainside*.

<sup>2</sup> As at 31 March 2016.

<sup>3</sup> Based on a US\$/£ exchange rate of 1.439 as at 31 March 2016.

<sup>4</sup> Assuming a full drawdown of MPO's committed loan facilities and based on MPO's portfolio value as at 31 March 2016.

All other data are as at 30 June 2016.

*Occupancy at The Waterside saw a slight decline during the quarter. The Architectural Concept Plan for Senado Square project will be ready for submission soon. Residential transaction volume has rebounded sharply as local buyers took advantage of attractive prices.*

#### **Occupancy level at *The Waterside* dropped slightly.**

Occupancy had declined to 44% as at end June as a result of early terminations.

#### **Sales activity at *The Fountainside* remained muted.**

Average selling prices per square foot were adjusted to align with current market conditions.

#### **Progress made on *Senado Square*.**

An Urban Condition Plan was issued, paving way for the submission of the Architectural Concept Plan.

#### **Decline in housing prices has stimulated a rebound in home transactions.**

Transaction volume for the months of April and May rose c.80% year-on-year.

#### **Macau's gross domestic product in Q1 shrunk 11% quarter-on-quarter.**

A wave of new integrated resorts should lend support to the city's long-term economic growth.



## FUND

The Fund's last reported Adjusted NAV as at 31 March 2016 was US\$225.6 million, translating to US\$2.95 (205p) per share, a decline of 8.1% from the previous quarter.

The value of the Company's portfolio

dipped 4.3% quarter-on-quarter to US\$388.1 million amid a challenging real estate market and lacklustre economy.

As at 31 March 2016, MPO had a cash balance of US\$17.6 million, of which US\$2.9 million was pledged as collateral

for debt facilities. The overall loan-to-value ratio stood at 40.6%.

The Company's annual financial results are due to be released in late September 2016.



Study room of the Sapphire Suite at *The Waterside*.

## PORTFOLIO

### THE WATERSIDE

Macau's sluggish economy and weak property market continue to cast a shadow over the territory's leasing sector. Occupancy at *The Waterside* declined slightly during the quarter, from 47% to 44%, after two consecutive quarters of growth as a result of early terminations and non-renewals. Average rental rates also declined 5.6%, to HK\$19.72 (US\$2.53) per square foot per month.

Although a rebound in the leasing sector is unlikely in the near term, we remain proactive and innovative in our marketing efforts, which include a tenant retention programme and rental incentives for new tenants, to minimise the impact of the soft property market.

A new leasing brochure has been produced and distributed to human resources personnel of casino resorts and multinational companies to promote *The Waterside* as the preferred residence for senior level expatriates. Meanwhile, marketing leaflets will also be produced to target potential tenants looking to relocate to a fully furnished high-quality property.

We seek to continuously strengthen the

position and value of *The Waterside* through our ongoing asset enhancement programme. To date, 24 of the property's 59 units have undergone refurbishment and another 15 will be refurbished by the end of the year. We believe this initiative will give us a strong edge over competition when attracting and retaining tenants.

An open day has been scheduled in early July for interested parties to preview the newly enhanced units.

### THE FOUNTAINSIDE

Sales activity at *The Fountainside* remained subdued during the quarter. To align with current property market conditions, we are adopting a number of marketing strategies such as discounts on selected units and attractive package with car park lot for the larger apartments.

The sale of parking lots is ongoing, at an average asking price of HK\$2.6 million (US\$333,300) per lot.

We continue to focus on our marketing efforts at *The Fountainside* and we anticipate that a pick-up in sales activity

will materialise when the economy improves.

### ESTRADA DA PENHA

*Estrada da Penha*, one of the rare detached houses situated prominently atop Penha Hill, has attracted some attention and a steady stream of enquiries from interested buyers. However, the current state of the property market has prompted buyers to remain cautious and many are still adopting a wait-and-see attitude. As part of the Company's investment strategy, we will retain this rare property while marketing it privately to suitable buyers.

### SENADO SQUARE

We have made progress on our *Senado Square* retail development during the quarter. Macau's Land, Public Works and Transport Bureau has granted an Urban Condition Plan – an official document that stipulates the approved redevelopment parameters for a property and is a key precursor to the submission of architectural drawings. We will be submitting the Architectural Concept Plan shortly and we expect to receive the endorsement from relevant authorities in the first quarter of 2017.

A breathtaking view of Macau's skyline from *Estrada da Penha*.

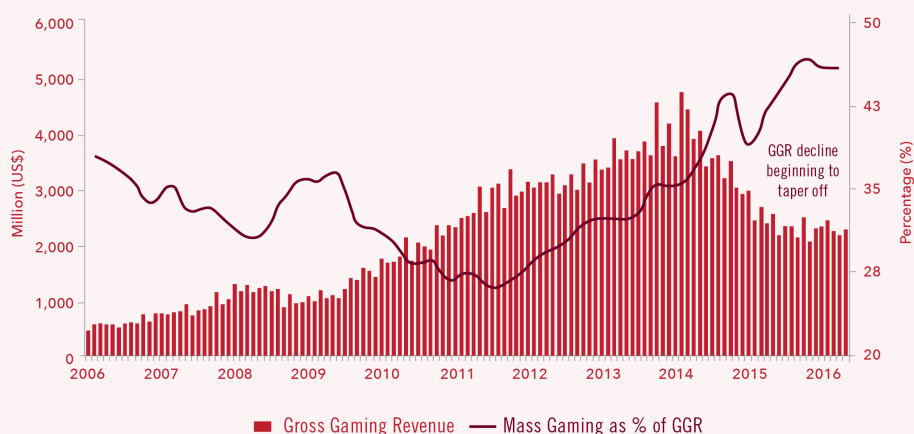
## MACAU

Macau's economy continues to be impacted by declining gross gaming revenues (GGR) amid an 11% quarter-on-quarter gross domestic product contraction in Q1 2016. Nonetheless, it was an improvement of 1 percentage point on a year-on-year comparison.

As at the end of June, GGR had declined 8.5% to US\$1.99 billion, the latest drop in a downward trend lasting 25 consecutive months. That was primarily due to further tightening of policies for the gaming industry, such as the revision of anti-money laundering rules, a ban on phone betting and a proposed regulation to raise the entry threshold for junket operators.

Casino operators have responded by shifting their focus to recreational gaming and introducing more leisure and entertainment facilities to attract affluent, middle-class mainland Chinese. It is worth noting that mass-market gaming now accounts for 46% of the total gaming revenue as compared to 26% five years ago. Sands China's latest financial results, for instance, revealed that its VIP segment generates a relatively low 10-12% operating margin compared to 40% or more from its mass-market segment.

### The Transformation of Macau's Gaming Industry Since 2014



Source: Statistics and Census Service

As at end May, Macau had welcomed 2.5 million visitors, a 2.8% decrease year-on-year. According to the proposed Tourism Development Master Plan, Macau is expected to receive 40 million visitors by 2025. This may pose a challenge for the high-density city to support without compromising on service quality. To counter this, the government has plans to develop and diversify tourism products, focusing mainly on heritage sites, which

are currently underutilised.

We believe that a wave of new integrated resorts will pave the way for Macau's GGR recovery and resumption of its long-term growth. With the opening of Wynn Palace and The Parisian in the second half of 2016, GGR for July and August may see moderate declines before returning to an uptick in September.

# PROPERTY

Macau's residential property market has seen a marked rebound in transaction volume amid the continuous decline in housing price. Financial Services Bureau data as of May revealed that the number of residential transactions rose approximately 80% year-on-year to 1,036 while the average property price slid 14% year-on-year to MOP7,172 (US\$897) per square foot. For pre-sale units, the average transaction price also registered a 12% year-on-year drop to MOP9,442 (US\$1,180) per square foot during the same period.

The decline in capital values, by

approximately 35% from their peak in 2014, coupled with the fact that buyers today are more inclined to accept sellers' asking prices as well as to raise their offers for quality properties, has generated some activity in the property market. We expect buyers, primarily the locals, to increasingly seize the opportunity to enter Macau's real estate market. This should help to provide demand and possibly lead to a base from which the market might be expected to recover in due course.

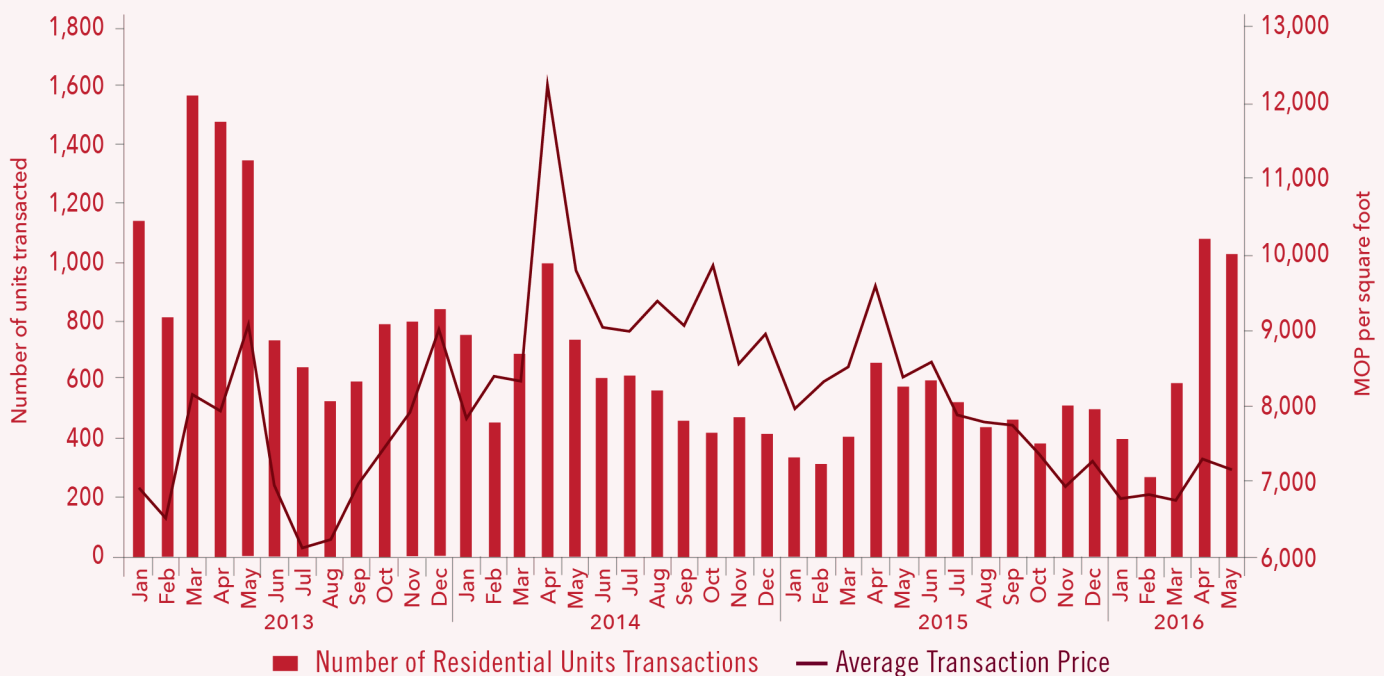
Based on government statistics, of the 2,339 units that were under construction in Q1 2016, 98% were residential units.

Among the completed units, 127 of 163 were residential.

Although these figures indicate a healthy construction activity at the start of the year, we believe that any further contraction in Macau's economic output or decline in gaming revenue is likely to weigh on the supply of new residential developments in the second half of 2016.

The city's residential property prices have undergone a deep adjustment in the past year and the market could possibly see prices stabilising at the end of the year.

**Number of Residential Transactions and Average Home Prices (Year 2013 to May 2016)**



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 valued at US\$388.1 million as at 31 March 2016.

### About Sniper Capital

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

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