



Footbridge connecting the integrated resorts in Cotai Strip to Taipa Village, an up-and-coming lifestyle destination in Macau.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£102.6 million
Share Price	134.3p
Number of Principal Properties	Four
Total GFA	309,930 sq ft ¹
Portfolio Valuation	US\$393.7 million ²
Adjusted NAV per share	US\$2.96/223p ^{2,3}
Discount to Adjusted NAV	39.8%
Cash Balance	US\$14.6 million ²
Total Debt	US\$164.5 million ²
Loan-to-Value Ratio	40% ⁴

¹ Including the 27 sold units at The Fountainside.

² As at 30 June 2016.

³ Based on a US\$/£ exchange rate of 1.326 as at 30 June 2016.

⁴ Assuming a full drawdown of MPOF's committed loan facilities and based on MPOF's portfolio value as at 30 June 2016.

All other data are as at 30 September 2016.

Transactional activities at The Fountainside and The Waterside continue to be challenged by the lacklustre property market. However, a market recovery may be in sight as Macau's economy is showing signs of stabilising.

Occupancy level at The Waterside fell to 37% as at end September.

The decline was due to a higher number of lease expiries during the quarter.

The last sold unit at The Fountainside successfully handed over.

A final payment of HK\$7.8 million (US\$1 million) was received.

Architectural concept plan submitted for Senado Square project.

An endorsement is expected in Q1 2017.

Residential transactions continue to grow steadily.

Market sentiment is anticipated to improve further.

Gross gaming revenues registered an uplift for two consecutive months since August.

The International Monetary Fund believes Macau's economy will return to growth in 2017.

FUND

The Company released its annual financial results in September. MPOF's Adjusted NAV as at 30 June 2016 increased by 0.3% from the previous quarter to US\$226.3 million, equating to US\$2.96 (223p) per share. The value of the Company's portfolio increased 1.4% quarter-on-quarter (QoQ) to US\$393.7 million.

As at 30 June 2016, MPOF had a cash balance of US\$14.9 million, of which US\$2.1 million was pledged as collateral

for debt facilities. The overall loan-to-value ratio stood at 40%.

Annual General Meeting and Discontinuation Vote Proposal

The Company's Annual General Meeting (AGM) will be held on 14 November 2016. Shareholders will be requested to vote on the proposals relating to the future continuation of the Company at the AGM.

The Board is recommending shareholders

to vote against discontinuation of the Company to allow sufficient time to realise the full value of the properties in the portfolio. It is recommending a change to an annual continuation vote in November 2018 and a change in the basis of realisation of the Manager's performance fee.

A circular containing the proposals and detailed information on the Discontinuation Vote will be circulated to shareholders in mid October 2016.



Magnificent view from a Duplex Suite at *The Waterside*.

PORTFOLIO

THE WATERSIDE

Occupancy level at *The Waterside* dropped from 44% last quarter to 37% this quarter and average rental rates declined 2%, to HK\$19.30 (US\$2.47) per square foot per month.

Currently, the leasing market is very much driven by sentiment and potential tenants have tightened their budgets and remain cost-conscious. We continue to focus on our tenant retention programme and rental incentives during this period to minimise the impact of the soft market.

Our HK\$15 million (US\$1.9 million) asset enhancement programme for *The Waterside* is ongoing. To date, we have refurbished 32 units and expect to complete the remaining 7 by end-2016. This initiative is necessary to continue to attract new tenants and retain existing ones.

An open day held in July, to which interested parties were invited to preview the newly enhanced units, was a success,

with more than 100 guests attending. The event provided a platform for our leasing team to engage and promote *The Waterside* as the preferred residence for senior-level expatriates.

THE FOUNTAINSIDE

The last sold unit at *The Fountainside* was successfully handed over in August, with a final payment of HK\$7.8 million (US\$1 million) received. Currently, 15 units including 4 villas and 18 car park lots remain available for sale.

Residential sales activities have been tepid for the past two years owing to cooling measures introduced by the government. Although the property market has shown signs of stabilising, potential buyers are still adopting a wait-and-see attitude. In addition, potential buyers are generally drawn towards newly launched developments, intensifying the challenge of securing new sales for *The Fountainside*.

Nevertheless, we continue to focus on our marketing efforts, promoting *The Fountainside* as a top-quality residential development. We expect sales activity to recover as the economy improves.

ESTRADA DA PENHA

We continue our marketing efforts for *Estrada da Penha*, targeting at high net-worth individuals, focusing on achieving a reasonable sale price for this luxury private house.

SENADO SQUARE

We submitted the architectural concept plan for this project in July and an endorsement from the relevant authorities is expected in Q1 2017. Meanwhile, we have embarked on the process of shortlisting consultants to work on the submission of the detailed plan, which is the final required submission before construction commences.

MACAU

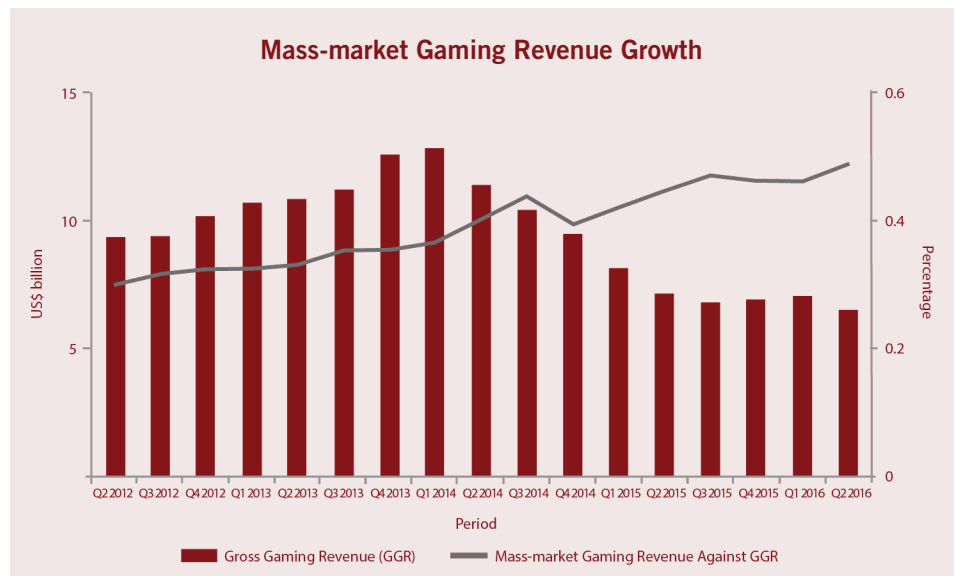
Economic Contraction Narrows

Macau's gross domestic product contracted 7.1% year-on-year (YoY) in Q2 2016 amid a continued decline in gaming revenues but, on a QoQ comparison, the dip was a marginal 0.5%. This points to an improving economy resulting from stabilisation in the gaming industry. Analysts, including the Monetary Authority of Macau and the International Monetary Fund, predict that Macau's economy could return to growth as early as next year.

Gross Gaming Revenue Shows Signs of Stabilising

Macau's gaming industry, the city's main economic growth driver, generated US\$6.9 billion worth of revenue in Q3 – an increase of 7% QoQ and 1% YoY. This marks two consecutive months of uplift since August and September's gross gaming revenue (GGR) was a modest growth of 7.4% YoY.

Deutsche Bank forecasts a trend recovery in GGR growth, led by the mass-gaming segment which they expect will register a growth of 12% YoY in 2017. The emergence of premium mass players, spending more than US\$260 per bet, is a new driver that we believe will contribute to the growth in mass-gaming segment.



Integrated Resorts to Boost Tourism

Tourist arrivals remained stable at 2.9 million in August. In the first 8 months of 2016, Macau welcomed 20.4 million visitors, broadly in line with the same period in 2015. Non-gaming tourist spending improved in Q2, rising 1.4% QoQ, although down 4.5% YoY.

In line with the government's objective to reduce the reliance on VIP gaming, new and upcoming integrated resorts are conscientiously placing more emphasis on their non-gaming offerings.

Examples include Wynn Palace which features an eight-acre performance lake, above which SkyCabs glide, and The Parisian features a half-scale replica of the Eiffel Tower and premises that emulate the streets of Paris.

The two resorts have made almost 20,000 new hires and boast approximately 4,700 hotel rooms – a 15% increase in the existing room supply, which is the largest increase since 2009. All of these factors are expected to boost mass-market tourism and tourist spending, which will aid an economic recovery.



Wynn Palace, a new mega resort worth US\$4.1 billion, opened in August after 6 years of development.

PROPERTY

Improving Leasing and Sales Fundamentals

Macau's population continued to grow steadily over the quarter, increasing by 0.5% to 652,500 in Q2. During the same period, the formation of new families reached an 18-month high of 1,008, creating additional demand for residential properties. As of end June, the unemployment rate stood at 1.9% and the median monthly salary was MOP15,000 (US\$1,875).

Growing local wealth, high levels of household savings and a low interest rate environment are creating demand

for upgrades of residential properties, in both the leasing and sales markets.

Attractive Housing Prices Release Pent-Up Demand

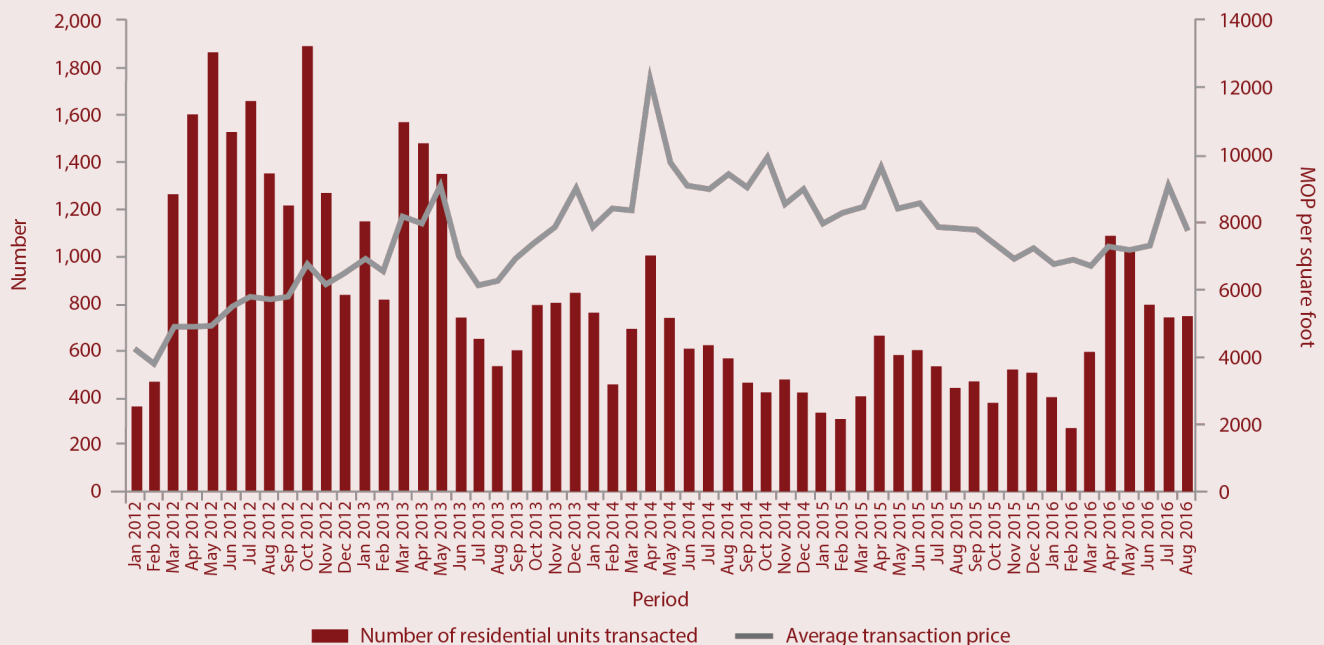
According to the Financial Services Bureau, the average housing price was MOP7,692 (US\$962) per square foot as at end August – approximately 37% below the 2014 peak. According to Sniper Capital's projection, sales transactions in Q3 are likely to reach around 2,300 units, which is an increase of approximately 60% YoY. This will be the second consecutive quarter that saw transaction number exceeding 2,000 units since Q2

2014. We expect the improving sentiment in the residential market to continue.

Limited New Housing Supply Lends Support to Price

According to property consultant JLL, a total of 4,838 new high-end residential units are expected to be completed between 2016 and 2020. It is expected that new housing supply will remain extremely tight in the near term. Nevertheless, the lack of quality new stock, combined with the growing population and improved investment sentiment, should pave the way for a recovery in Macau's home prices.

Residential Transaction Numbers and Prices



Source: Financial Services Bureau

Note: All figures reported under Macau and Property sections are based on DSEC's latest releases unless otherwise stated.

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, the only city in China where casinos are legal. Its current portfolio, a mix of prime residential and retail property assets, was valued at US\$393.7 million as at 30 June 2016.

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.

About Sniper Capital Limited

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