



Christmas decorations in Senado Square.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£92.3 million
Share Price	120.75p
Number of Principal Properties	4
Total GFA	309,930 sq ft ¹
Portfolio Valuation	US\$398.3 million ²
Adjusted NAV per share	US\$2.99/230p ^{2,3}
Discount to Adjusted NAV	47.5%
Cash Balance	US\$8.2 million ²
Total Debt	US\$178.4 million ⁴
Loan-to-Value Ratio	42% ⁴

¹ Including the 27 sold units at The Fountainside.

² As at 30 September 2016.

³ Based on a US\$/£ exchange rate of 1.298 as at 30 September 2016.

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

All other data are as at 31 December 2016.

Occupancy level at The Waterside rebounded during the quarter, whereas sales activity at The Fountainside remained muted. Architectural concept plan for Senado Square project has been approved. Gaming revenues registered the strongest quarterly growth since Q1 2014.

Fund life extended.

Shareholders voted in favour of a two-year continuation of the Fund at the Annual General Meeting.

Adjusted NAV as at 30 September increased 0.9% quarter-on-quarter to US\$228.3 million.

This marks two consecutive quarters of uplift.

Occupancy level at The Waterside rose to 49% as at the end of December.

14 new leases were secured during the quarter.

Marketing efforts continue at The Fountainside.

Selected units have been re-launched with attractive pricing packages.

New milestone for Senado Square project.

Received the approval for the architectural concept plan in December.

Gaming revenues for the quarter grew at its fastest pace since Q1 2014.

The Economist Intelligent Unit expects Macau's economy to expand by 5.2% in 2017.

FUND

The Adjusted NAV as at 30 September 2016 increased by 0.9% from the previous quarter to US\$228.3 million, equating to US\$2.99 (230p) per share, the second consecutive increase. The value of MPO's portfolio grew 1.2% quarter-on-quarter (QoQ) to US\$398.3 million.

The Company has secured a new loan facility of HK\$118 million (US\$15.2 million) for *Senado Square* project to refinance the land cost and to facilitate working capital. The two-year hybrid loan comprises two tranches – a term loan and a revolving loan. The loan will mature in December 2018 and interest will be charged at 2.7% per annum over the 1-,

2- or 3-month HIBOR rate.

The overall committed debt of the Company now stands at US\$178 million, equating to a loan-to-value ratio of 42.3% based on September 2016 valuation. Upon a full drawdown of MPO's loan facilities, the Company will have a total cash balance of approximately US\$20 million, of which US\$2.4 million was pledged as collateral for debt facilities.

MPO's unaudited interim results for the

six months ending 31 December 2016 will be released in February 2017.

Fund Life Extended

MPO's fund life has been extended by another two years to November 2018. The extraordinary resolution for discontinuation raised during the Company's recent Annual General Meeting (AGM) was not passed. Results of the AGM are available on the Company's [website](#).

PORTFOLIO

THE WATERSIDE

Occupancy levels at *The Waterside* rebounded during the quarter to reach 49%, an increase of 12 percentage point from Q3. The improvement in occupancy level was attributed to the return of junkets. A total of 14 leases were secured during the period.

Tenant retention, however, remains a key challenge for the leasing team. Competitive rents offered by other developments have been a pull factor that has resulted in an increasing number of leases not being renewed. During this period, we have channelled our focus towards tenant engagement and retention to maintain a healthy occupancy level for *The Waterside*. Rental rates at *The Waterside* were adjusted downward to more reasonable levels to ensure that our property remains competitive with the other developments. Average rental rates as at end December was HK\$17.96 (US\$2.30) per square foot per month, a decline of 7% from the previous quarter.

Despite this headwind, we believe that given the limited number of waterfront apartments in Macau, *The Waterside* will still appeal to those seeking indulgence in a coveted lifestyle, away from the hustle and bustle of the busy Cotai area.

We have also been proactive in establishing further initiatives to improve tenant experience at *The Waterside*. Following an open day in July, the leasing team has carried out a series of activities such as partnering with top-tier hotels in Macau to provide exclusive privileges under the Waterside Club for tenants. The team has also initiated meetings with the human resource personnel of integrated casino resorts as well as the head of food and

beverages establishments from various hotels to promote *The Waterside* as Macau's premier residence for their senior-level expatriates.

THE FOUNTAINSIDE

Residential sales activity for mid to high-end residential property remains muted. Although the real estate market has shown signs of stabilising and seems to be adjusting in an encouraging direction, the global economy remains fragile and uncertainties abound. In addition, the mortgage caps placed on mid to high-end properties have resulted in potential buyers adopting a conservative approach in their purchase intention.

Nevertheless, we continue to focus on our marketing efforts to promote *The Fountainside*. Several units have also been selected for a pilot project in which interested buyers are offered attractively priced packages. Meanwhile, the marketing team has produced new marketing materials to distribute to agents, potential homebuyers and investors.



An ensuite bedroom with walk-in closet of a Simplex Suite at *The Waterside*.

There are currently 15 units, including 4 villas, and 18 car park lots available for sale.

ESTRADA DA PENHA

We continue to work with selected real estate agents to identify the right buyer for this exclusive property, focusing on achieving an acceptable sale price. It is important that we remain patient during this process as the quantum price for the property is significantly high, and we believe high-net-worth individuals are still waiting for a more favourable investment climate before committing.

SENADO SQUARE

The *Senado Square* project has made good progress during the quarter. An approval for the architectural concept plan was received from the planning department in December. We are currently working on the detailed plan submission which is the final stage of the planning process prior to the commencement of demolition and construction. We anticipate the submission will take place in Q1 and receipt of approval in Q3.

MACAU

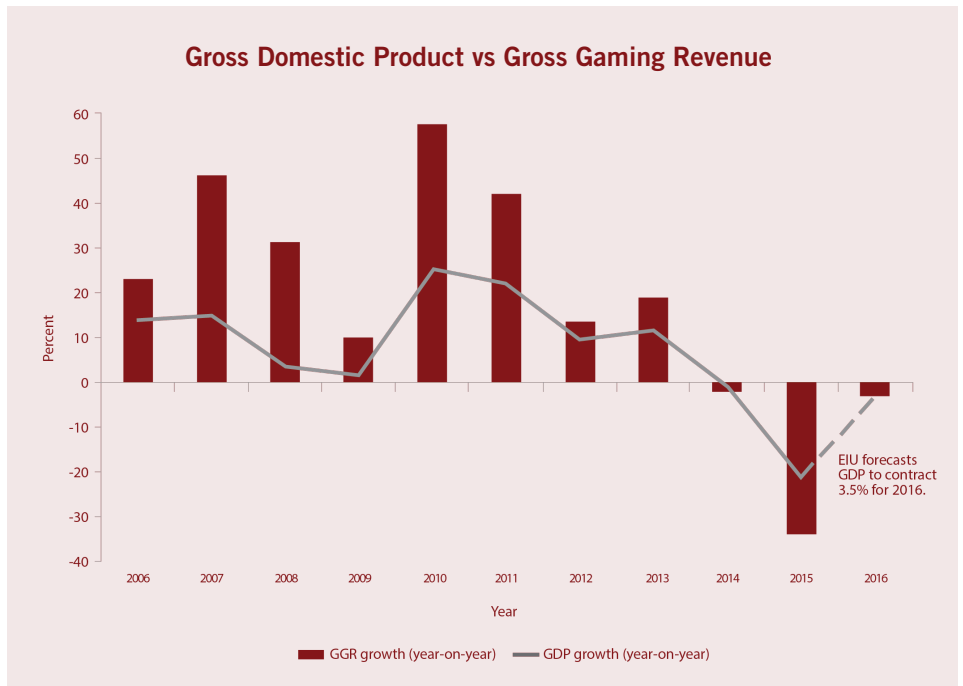
Economy to Return to Growth in 2017

Macau's economy returned to a modest growth of 4% year-on-year (YoY) in Q3 2016. Despite the ongoing anti-corruption campaign and global uncertainties, Macau's economic fundamentals remain healthy and gross gaming revenue (GGR) continues to stabilise. Analysts including the International Monetary Fund and the Economist Intelligence Unit (EIU) are adopting an optimistic view of Macau's economic outlook. The EIU expects Macau's GDP to grow by 5.2% in 2017, translating to a 9 percentage point improvement on 2016.

Gross Gaming Revenue Sees Strongest Quarterly Growth Since Q1 2014

GGR registered a modest decline of 3% YoY to US\$28 billion in 2016. On a quarterly performance, gaming revenues expanded 10% QoQ to reach US\$7.6 billion – the best growth since Q1 2014. Mass-gaming sector has remained stable and accounted for 48% of total GGR in Q3 and 47% for the first 3 quarters of 2016.

The improved GGR was partially driven by the openings of Wynn Palace and The Parisian Macao in the second half of 2016, attracting a wider range of tourists with non-gaming offerings such as a performance lake, a replica of the Eiffel Tower and a water park for children. Two other new integrated casino resorts – MGM Cotai and Grand Lisboa Palace – are expected to be completed over the next two years. Together, these



Source: DSEC/DICJ

two resorts will add 3,500 hotel rooms to Macau's existing stock – an increase of almost 10%. In addition, they will create approximately 14,000 additional employment opportunities and further expand Macau's tourism sector.

Favourable Policies to Support Macau's Economic Diversification

Chinese Premier Li Keqiang has pledged to strengthen Macau's tourism industry and position the city as a service platform between China and Portuguese-speaking countries. A series of policies will be

introduced to pave the way for a concerted push towards achieving that objective.

The proposed policies include new initiatives to boost the meetings, incentives, conferencing and exhibitions tourism segment, the establishment of a renminbi clearing centre among Portuguese-speaking countries, the relocation of the China-Portuguese Speaking Countries Cooperation and Development Fund headquarters from Beijing to Macau, and permitting Macau-registered vehicles to enter Hengqin.

PROPERTY

Housing Market Remains Healthy

Based on the latest statistics from Macau's Financial Services Bureau, the number of residential property transactions surged 122% YoY to 1,144 in November. The average transaction price was MOP 8,401 (US\$1,050) per square foot, up 21% from the same period last year.

According to Sniper Capital Research, the number of residential property transactions in Q4 is projected to reach 3,300, representing an increase of 37% QoQ. The average transaction price is estimated to be MOP 8,400 (US\$1,050) per square foot, up 4% QoQ.

The leasing market overall remained healthy, supported by strong market fundamentals such as a low unemployment rate and stable median incomes.

The positive momentum in the housing market is also echoed by the Centa-Macau

Climatic Index¹, which read 57.14 in Q3 2016 – above the neutral line of 50 – indicating that housing prices will tend to rise in the future.

New Supply Focused on Small and Mid-sized Units

Transactions during the past two quarters indicated that local residents, especially newly-formed families, continue to be the primary buyers of residential property in Macau, accounting for more than 90% of total sales transactions.

It is also worth noting that small and mid-sized units of less than 1,000 square feet offered by developers are the most sought-after, as they are of a smaller quantum and higher loan-to-value ceilings may be applied hence, making them more affordable. From an investor perspective, smaller units are easier to lease out and the yields are generally more attractive than larger units. Developers are seizing

the opportunity and developing projects comprising more small and mid-sized units. The newly launched Sky Oasis in Taipa, for instance, has a total of 500 units, of which 360 are studio apartments with size ranging from 600 to 700 square feet.

Investor Confidence Showing Signs of Improvement

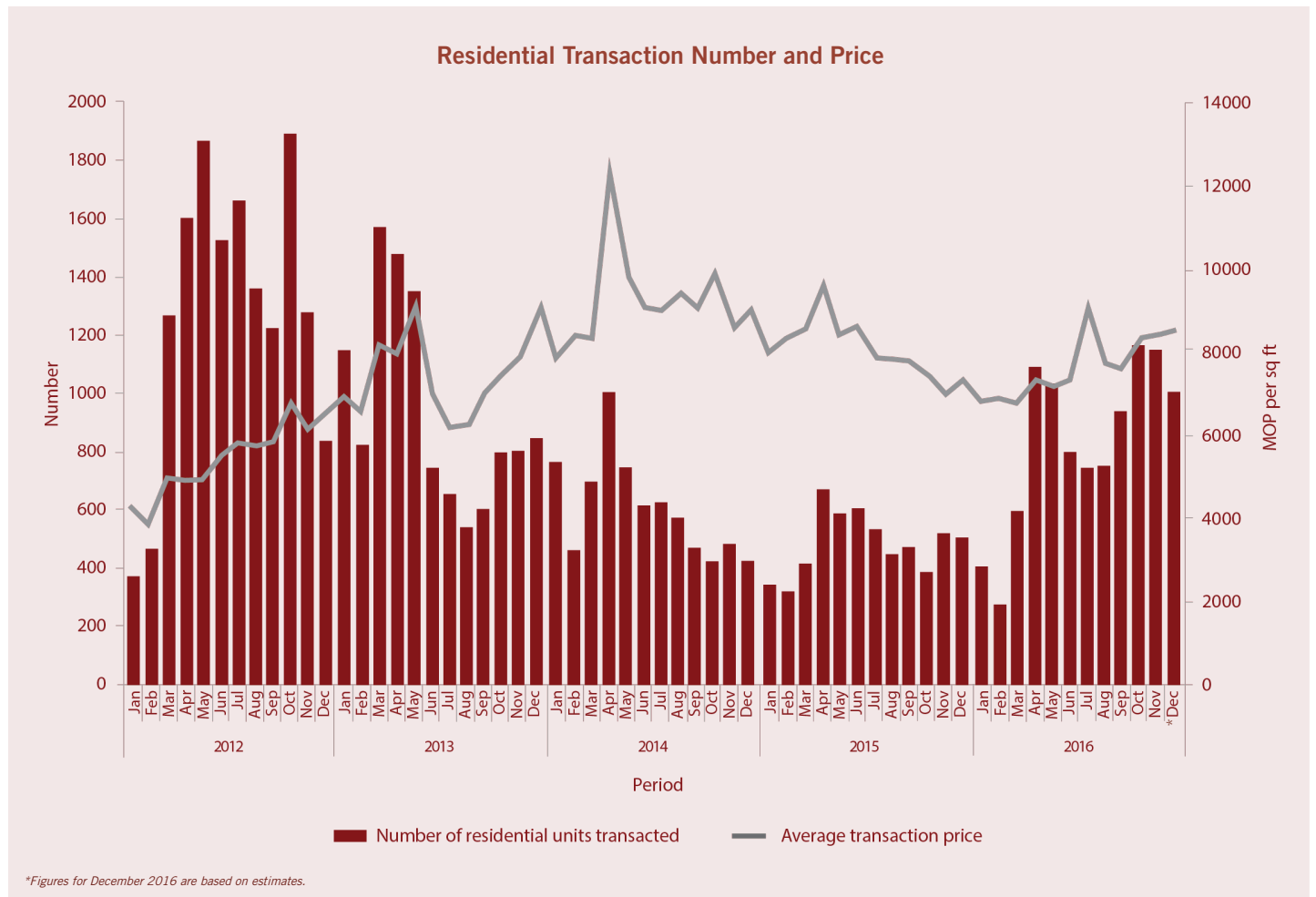
The Hong Kong government recently raised property stamp duty for second home buyers to 15%. China has also introduced a number of residential property cooling measures in an effort to control surging residential prices, especially in Tier 1 cities. We believe these factors will lend support to Macau and increase its competitive advantage as a favourable long-term investment destination.

Macau's residential property market is expected to remain stable as home prices are still at an attractive level, currently 31% below their peak in 2014, and

the market is experiencing a trough in the current property cycle. With new infrastructure such as the Hong Kong-

Zhuhai-Macau bridge and Light Rail Transit in the pipeline, we believe Macau's competitiveness will be enhanced, enabling

the city to rival other urban hubs in the Greater Pearl River Delta.



Source: Financial Services Bureau / Sniper Capital Research

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

¹ The Centa-Macau Climatic Index, compiled by Centaline (Macau) Property Agency, represents sentiment in the residential market and the indicator ranges between 0 and 100. An index score of 0 results when home prices of all residential units in the sample size decline during the computation period, and a score of 100 is reached when all prices increase during the same period. The Q3 figure is provisional and may subject to change.

FURTHER INFORMATION

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Stock Codes:

Bloomberg: MPO.LN
Reuters: MPO.L

About The Fund

Macau Property Opportunities Fund Limited (MPO) 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 Company 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\$398.3 million as at 30 September 2016.

MPO 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

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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