



The Simplex Suites at *The Waterside* offer the luxury of space, making it an ideal residence for expatriate families living in Macau.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£122.3 million
Share Price	160p
Number of Principal Properties	4
Total GFA	267,000 sq ft ¹
Portfolio Valuation	US\$425.7 million ²
Adjusted NAV per share	US\$3.26/250p ^{2,3}
Discount to Adjusted NAV	36%
Cash Balance	US\$16.2 million ²
Total Debt	US\$174.0 million ⁴
Loan-to-Value Ratio	39.4% ⁴

¹ Includes the 13 remaining units at *The Fountainside*.

² As at 30 June 2017.

³ Based on a US\$/£ exchange rate of 1.303 as at 30 June 2017.

⁴ Assuming a full drawdown of MPO's committed loan facilities and based on MPO's portfolio value as at 30 June 2017.

All other data are as at 30 September 2017.

The Waterside's occupancy level reached 64%. The Fountainside saw another successful sales transaction. Macau's economy grew 10.9% in the first half of 2017.

Occupancy at *The Waterside* reached 64%

Six new leases were secured during the quarter.

Another unit at *The Fountainside* sold

The 1,620-square-foot apartment was disposed of for US\$1.2 million, or US\$736 per square foot.

Marketing of *Estrada da Penha* continues

Our marketing team is working closely with the appointed agency to promote the property.

Macau's gross gaming revenue continues to grow

Analysts have raised their growth estimates for 2017 to 18%.

Residential property market continues to recover

Average home prices grew 14.5% year-on-year despite the imposition of lower loan limits.

FUND

The Company's annual financial results were announced on 28 September 2017. MPO's Adjusted Net Asset Value grew 10.2% year-on-year (YoY) and 5.1% quarter-on-quarter (QoQ) to US\$249.3 million as at 30 June 2017, translating to US\$3.26 (250 pence) per share. Its

portfolio value appreciated 9.7% YoY and 3.5% QoQ to US\$425.7 million as at 30 June 2017 (on a like-for-like basis after accounted for units disposed of during the period).

As at the end of June, MPO's cash position

was US\$16.2 million, of which US\$3.1 million was pledged as collateral for debt facilities. The Company's total borrowings were US\$174.0 million, equating to a loan-to-value ratio of 39.4%.

PORTFOLIO

Macau was hit by a typhoon in August which caused fatalities, severe flooding as well as power and water outages across the city. MPO's properties, which are fully insured, fortunately only suffered minimal damage from the storm. Rectification works were carried out immediately to address minor damage with more extensive repairs, such as replacement of broken windows, are expected to be completed in October.

THE WATERSIDE

Occupancy level at *The Waterside* improved by 2 percentage points QoQ to reach 64% as of the end of September, attributable to 6 new leases secured during the quarter. This was the highest occupancy level achieved since Q1 2015.

The average rental at *The Waterside* was HK\$18.66 (US\$2.39) per square foot per month as at the quarter end, an uplift of 5.5% on June's figure. On the back of an improving economy and the scarcity of luxury apartments in Macau, we aim to raise the average rental rate. Despite competition from newer properties, we believe the premier status of *The Waterside*, coupled with the provision of tailored services and fully-furnished units, will appeal to tenants seeking a coveted lifestyle.

THE FOUNTAINSIDE

In August, we successfully sold a 1,620-square-foot, 3-bedroom apartment for US\$1.2 million. This translates to approximately US\$736 per square foot.

As we continue to develop new marketing strategies to boost sales, we have also released for sale several car parking lots priced between HK\$2.5 and HK\$2.6 million each. Recent statistics from Macau's Transport Bureau and Statistics and Census Service revealed that there are approximately 26,550 car parking lots in Macau and 109,500 registered cars – 4 cars for every lot. Given this supply-demand imbalance, we believe that car parking spaces could be an attractive alternative investment class and, unlike other real estate segments, there are currently no restrictive policies imposed on the purchase of car parking spaces and no requirement for lump sum, up-front payments.

ESTRADA DA PENHA

Sales activity in the ultra-luxury segment remains subdued, given China central government's clampdown on capital flight. It is clear that wealthy investors have been setting their sights on luxury properties in Hong Kong rather than Macau, but we

believe this group of investors will, over time, recognise the scarcity value of ultra-luxury properties in Macau.

Meanwhile, we are working closely with appointed agency Landscape Christie's International Real Estate to explore new strategies to market *Estrada da Penha* to ultra-high-net-worth buyers.

SENADO SQUARE

The city's retail property market performed well in the first half of the year despite a decline in Q2. In the first 6 months of the year, transaction numbers grew 16% YoY to 320 and total sales value also saw an uplift of 23% YoY to US\$472 million.

We believe strong backing and initiatives by the central government to transform Macau into an international tourism hub will lend support to the development of *Senado Square*, and that the property will appeal to investors seeking long-term investment opportunities in Macau. We continue to fine-tune the approved designs for the project to maximise returns to shareholders.



Models of *Estrada da Penha* on display.

MACAU

Steady Economic Growth

Macau's economy grew 10.9% in the first half of 2017, driven by a strong rebound in the gaming and tourism sectors. The unemployment rate as at the end of August remained stable at 2.0%, and retail sales for first half of the year increased 10.8% YoY to reach US\$3.9 billion.

Gross gaming revenue (GGR) had increased 6.5% QoQ to US\$8.4 billion as at the end of September. Accumulative GGR for the first 9 months of this year rose 18.8% YoY to reach US\$24.2 billion. Several analysts have upgraded their whole-year forecasts to 15-18%, up from their previous estimates of 8-12%. Union Gaming has forecast that GGR will reach US\$46 billion in 2022.

On a cautionary note, any substantial gain in VIP gaming revenues could prompt China central government to tighten its scrutiny of the segment.

Steady Growth in Visitor Arrivals and Expenditure

With China central government encouraging

economic integration in the Greater Bay Area and greater ease of doing business across regions, Deutsche Bank has forecast that visitor arrivals will grow at a compound annual rate of 5% from this year to 2020. To enhance cross-border commuting, online visa applications could be extended beyond Guangdong to other provinces over the next few years. This bodes well for China's vision to transform Macau into a global tourism centre, giving the meetings, incentives, conferences and exhibitions (MICE) segment a much-needed boost.

Macau welcomed 21.3 million visitors in the first 8 months of 2017, an uplift of 4.4% YoY. The number of inbound tourists excluding those from Greater China increased by approximately 6.0% YoY over the same period. Notable year-on-year uplifts of 12.3% and 38.1% were seen respectively for Japanese and South Korean tourists.

Visitor expenditure continued to grow, amounting to US\$1.7 billion in the second quarter – an increase of 2.2% QoQ. Total spending by mainland Chinese reached US\$1.4 billion, representing approximately

80% of total visitor expenditure. The MICE segment registered the highest per-capita spending at US\$413, a 38.7% YoY surge.

New Integrated Resorts to Benefit from Macau's Tourism Sector

Casino operators continue to align with the government's plan to transform Macau into an international tourism hub. MGM Cotai, when it opens early next year, will have more than 85% of its premises allocated to non-gaming offerings to attract mass-market visitors. The resort will also add 1,390 rooms to the existing 37,000 hotel rooms in Macau. Grand Lisboa Palace, another casino resort, is expected to open its doors in 2018, and more than 90% of its total floor area will be allocated for non-gaming facilities.

We believe the collective efforts by casino operators will steer the city towards meeting the changing needs of consumers. Macau's MICE industry, in particular, will be given a boost once the Hong Kong-Zhuhai-Macau Bridge opens in 2018.

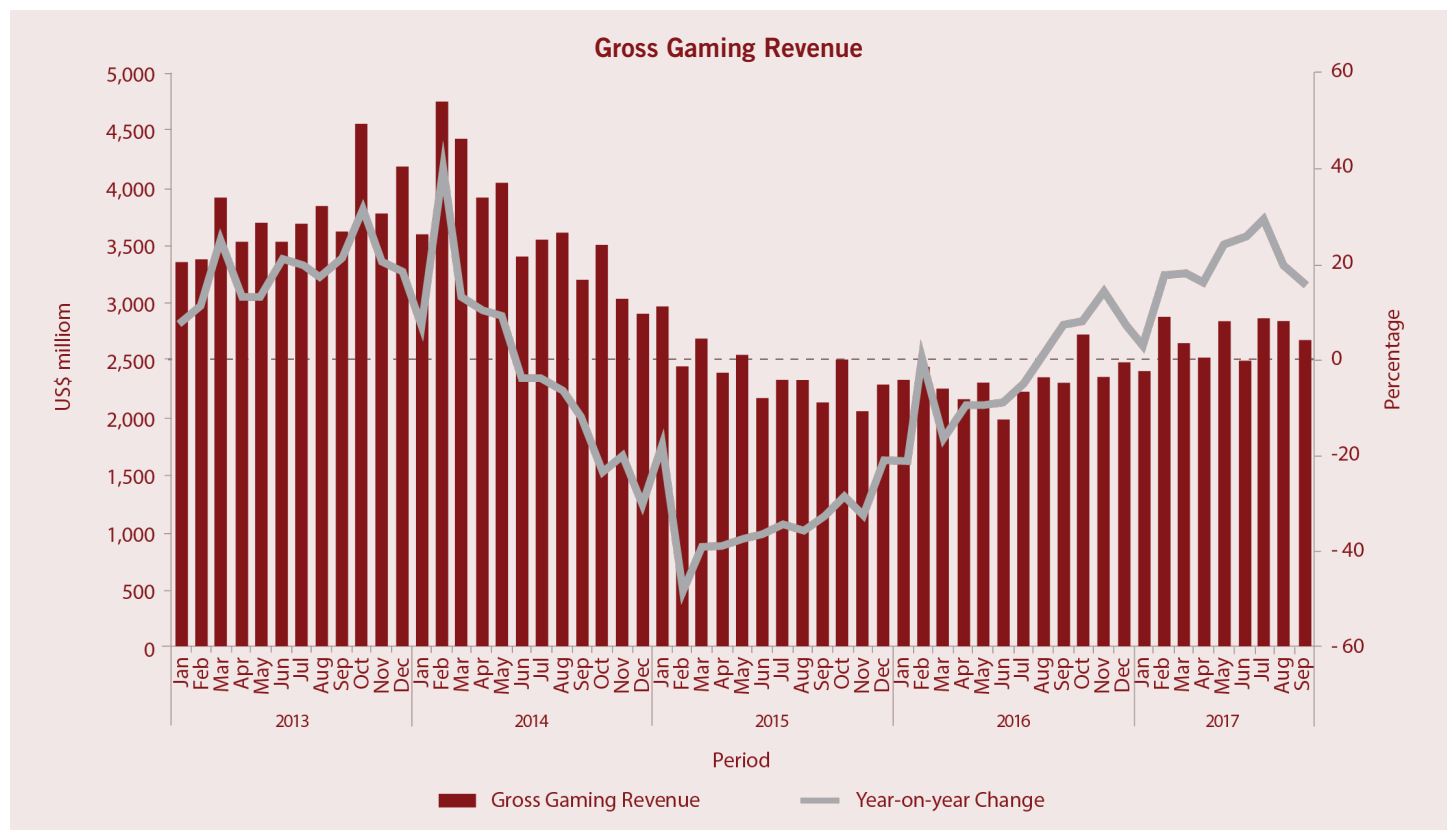
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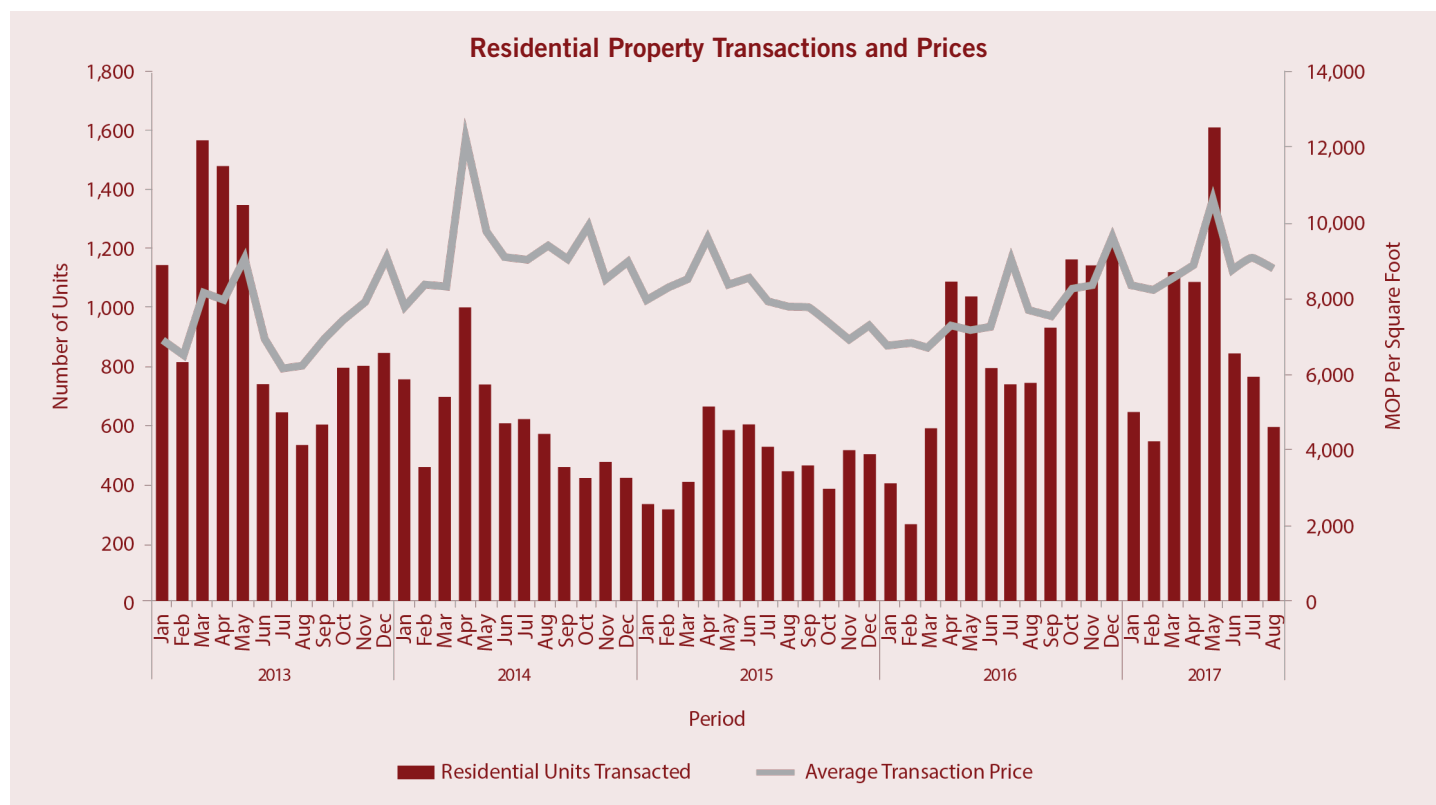
Home Prices Continue to Gain Momentum

According to the Financial Services Bureau, the average transaction price of residential properties increased 14.5% YoY to MOP 8,809 (US\$1,101) per

square foot as at the end of August while transaction number declined 20.3% to 594. We believe that the lower mortgage loan cap introduced in May did not have a significant impact as it is targeted at overseas buyers and speculators rather

than genuine buyers. The policy also aims to promote a stable housing market and strengthen risk management of local banks. The decline in transactions over the past few months could be a result of home buyers being confined to a narrower range





Source: Financial Services Bureau

of selections, hence they adopted a wait-and-see attitude. Home prices, on the other hand, are likely to remain steady supported by domestic demand.

Improving Investment Sentiment

Investor appetite in Macau's property market has shown signs of improvement on the back of improving gaming revenues and the city's participation in China's "One Belt, One Road" international infrastructure initiative. A notable land acquisition took place in September in which two plots of land in Taipa measuring 60,246 sq ft were sold to a mainland Chinese developer for US\$450 million. The sites will be redeveloped into residential and commercial developments

as well as car-parking facilities. We believe investors will continue to be drawn by Macau's positive investment climate, which will benefit the Company's divestment plan.

Outlook

Macau has recovered well from Typhoon Hato, with both the central and local governments providing aid to restore the territory. Tourists are also returning to Macau, with more than 400 tour groups from mainland China reported to have visited Macau in the first weekend of September. We do not expect the gaming industry to be significantly affected by the typhoon, as evidenced by August's GGR growth, which exceeded the consensus

estimate of 18.5% by analysts in a Bloomberg survey.

Residential property values are likely to continue their gradual recovery and demand for housing will be supported by domestic buyers. The retail property sector, however, may see a slowdown in sales and leasing activities as property owners focus on restoring damaged properties.

We remain positive about Macau's medium-to long-term growth prospects. Support from the central and local governments, as well as the completion of the Hong Kong-Zhuhai-Macau Bridge, will facilitate Macau's development as a world centre for tourism and leisure.

Note:
All figures reported under the Macau and Property sections are based on latest information released by The Statistics and Census Service unless otherwise stated.

FURTHER INFORMATION

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About The Company

Macau Property Opportunities Fund Limited is a closed-end investment company registered in Guernsey and is the only quoted property fund dedicated to investing in Macau, the world's largest gaming market and the only city in China where gaming is legalised.

Premium listed on the London Stock Exchange, it is also a constituent stock of the FTSE All-Share and FTSE SmallCap indices.

Launched in 2006, the Company targets strategic property investment and development opportunities in Macau. Its current portfolio comprises a mix of prime residential and retail property assets that are valued at US\$425.7 million as at 30 June 2017.

About Sniper Capital Limited

The Company 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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