



The Waterside remains a premier waterfront accommodation for discerning tenants.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£140.6 million
Share Price	184p
Number of Principal Properties	4
Total GFA	264,300 sq ft ¹
Portfolio Valuation	US\$436.2 million ²
Adjusted NAV per share	US\$3.37/251p ^{2,3}
Discount to Adjusted NAV	27%
Cash Balance	US\$15.2 million ²
Total Debt	US\$172.4 million ⁴
Loan-to-Value Ratio	38.2% ⁴

¹ Includes the 13 remaining units at The Fountainside.

² As at 30 September 2017.

³ Based on US\$/£ exchange rate of 1.340 as at 30 September 2017.

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

All other data are as at 31 December 2017.

Average rental rates at The Waterside rose slightly. Another individual unit at One Central Residences was sold. The International Monetary Fund (IMF) raised its forecast for Macau's 2017 gross domestic product growth from 2.8% to 13.4%.

Occupancy at The Waterside was 59%.

Average rentals grew 6.4% quarter-on-quarter to HK\$19.85 per square foot per month.

Sales at The Fountainside remained muted.

Reconfiguration of the villas and duplexes into smaller units is being planned.

Marketing efforts continue at Estrada da Penha.

There was an increase in sales enquiries during the quarter.

Double-digit gross gaming revenue growth predicted for 2018.

Gross gaming revenue growth is forecast to reach 14%.

Residential property prices continued to increase.

Average home prices for the first 11 months of 2017 had risen 21% year-on-year.

FUND

MPO's Adjusted NAV was US\$257.4 million as at 30 September 2017, equating to US\$3.37 (251 pence) per share. The next Adjusted NAV as at 31 December 2017 is due to be released in early February. As at the end of September 2017, the Company's cash balance was US\$15.2 million, of which US\$3.3 million was pledged as collateral for debt facilities. Total borrowings were

US\$172.4 million, translating to a loan-to-value ratio of 38.2%.

During the quarter, one of the two loan facilities for *Estrada da Penha* was extended by two years to mature in December 2019 with improved terms. The loan amount remains unchanged at HK\$79 million.

MPO's share price gained 15% from 160.0 pence on 30 September 2017 to reach 184.0 pence on 31 December 2017.

The Company's unaudited interim results for the 6 months ending 31 December 2017 are expected to be released in late February.

PORTFOLIO

THE WATERSIDE

During the quarter, the focus was on lease renewals and improving rental values at *The Waterside*. As at the period end, the leasing team had successfully renewed 75% of the leases expiring in Q4 on improved terms. Occupancy stood at 59% as of end December and the average rental rate grew 6.4% quarter-on-quarter (QoQ) to HK\$19.85 (US\$2.54) per square foot per month.

We are hopeful that Macau's VIP gaming segment will recover further which will facilitate the continued recovery of rental values and improve occupancy rates.

The impending opening of the Hong Kong-Zhuhai-Macau Bridge in 2018 is expected to create more business opportunities for Macau and an influx of foreign labour. This could lead to a rise in demand for accommodation in the leasing market. Given that there are no new luxury developments being planned on the Macau Peninsula in the near future, we believe *The Waterside* will continue to enjoy its status as the premier accommodation option for discerning tenants.

Individual Units at One Central Residences

Another of MPO's three remaining individual units at One Central Residences was divested during the quarter, taking the total number of units sold in 2017 to two. The 2,288-square-foot apartment was disposed of for US\$3.7 million, approximately 2% above its latest valuation.

THE FOUNTAINSIDE

Despite the positive sentiment in Macau's property market, sales performance at *The Fountainside* has been impeded by the government's imposition of lower loan limits. As at the end of December, 13 units including 4 villas and 2 duplexes remained available for sale.

Given that smaller-size apartments are more saleable in the current market, as they are generally not subject to the mortgage loan cap due to their lower quantum price, the Manager is exploring the option of reconfiguring the four villas and two duplexes into smaller apartments.

We will continue to scout new marketing strategies to boost sales at *The Fountainside*, exploiting the opportunities presented by

the Hong Kong-Zhuhai-Macau Bridge as demand for homes is likely to increase.

ESTRADA DA PENHA

Marketing efforts continued during the quarter with a noticeable pick up in sales enquiries. Given that this property is likely to appeal to a very niche group of buyers, it will take time for the right offer to arise.

SENADO SQUARE

In a testament to its culinary scene, Macau has been recognised as a UNESCO Creative City of Gastronomy. In part due to that prestigious accolade, the government expects tourism receipts to reach US\$12-US\$14 billion by 2025. This is promising news for our *Senado Square* project, as investors and retailers are likely to look at expanding their presence to take advantage of further growth in Macau's tourism industry.

While we continue to engage with the authorities to move our project forward, we are concurrently marketing the property to potential buyers.



Macau's newly-found status as a UNESCO Creative City of Gastronomy is promising news for our *Senado Square* project.

MACAU

Double-digit Growth Expected for 2018

Macau continued to enjoy improving economic growth amid a rebound in the gaming industry and a positive performance in its tourism sector.

In Q3 2017, the city's gross domestic product expanded 6.1% year-on-year (YoY). The unemployment rate for November remained stable at 1.9%, and residents' deposits continued to grow, reaching MOP553 billion as of the end of September. Such healthy economic indicators have led the IMF to revise its forecast for Macau's gross domestic product growth for 2017 to 13.4%, up from a previous estimate of 2.8%.

As at the end of December, gross gaming revenue (GGR) rose 14.6% YoY, to reach US\$2.8 billion. GGR for the entire year was US\$33.2 billion, a 19.1% YoY increase. Analysts have predicted GGR growth for 2018 to be 14%.

New Strategies to Keep Pace with a Changing Tourism Landscape

Macau welcomed 2.8 million visitors in November, up 9.4% YoY. Visitors from mainland China continued to dominate

the tourism market, accounting for 70% of the total number. Outside of Greater China, South Korea and Japan remained the top two sources of visitors, registering year-on-year increases of 17% and 1%, respectively.

Visitor expenditure remained on an upward trajectory, reaching US\$2 billion in Q3 2017, an increase of 8.8% YoY. Per-capita spending among visitors was US\$241, up 6.7% YoY, with mainland Chinese recording the highest per-capita spending of US\$275.

Macau has done well in attracting international tourists. According to Euromonitor International, the territory was ranked fifth in the 2017's Top 100 City Destinations Ranking, after Hong Kong, Bangkok, London and Singapore. The report took into consideration international tourist arrivals in 2016 and forecast data from 2017 to 2025 for 100 of the world's leading cities. This news bodes well for Sands China, which has announced its intention to invest US\$1.1 billion in rebranding Sands Cotai Central and transforming it into a London-themed resort, featuring more dynamic attractions, an expanded retail mall and 350 luxurious new suites.

The evolution of e-payments in the retail industry has seen the introduction of WeChat Pay, one of China's largest mobile payment platforms, across Galaxy Entertainment Group's integrated resorts in Macau. Galaxy Entertainment is the first hospitality and entertainment group in Macau to accept WeChat Pay, which is expected to boost its non-gaming revenue.

Infrastructure Projects Make Progress

Macau's much-delayed light rail transit (LRT) system made further progress during the quarter. Construction work at the Barra interchange station on Macau Peninsula finally commenced in November and is due to be completed by Q3 2018. The station will connect to the Taipa section of the LRT, which is expected to be operational in 2019.

The much-anticipated Hong Kong-Zhuhai-Macau Bridge is on track to open in 2018. The mammoth project will create more business opportunities for the city, improve connectivity within the Greater Bay Area, and deepen cooperation between China, Hong Kong and Macau.

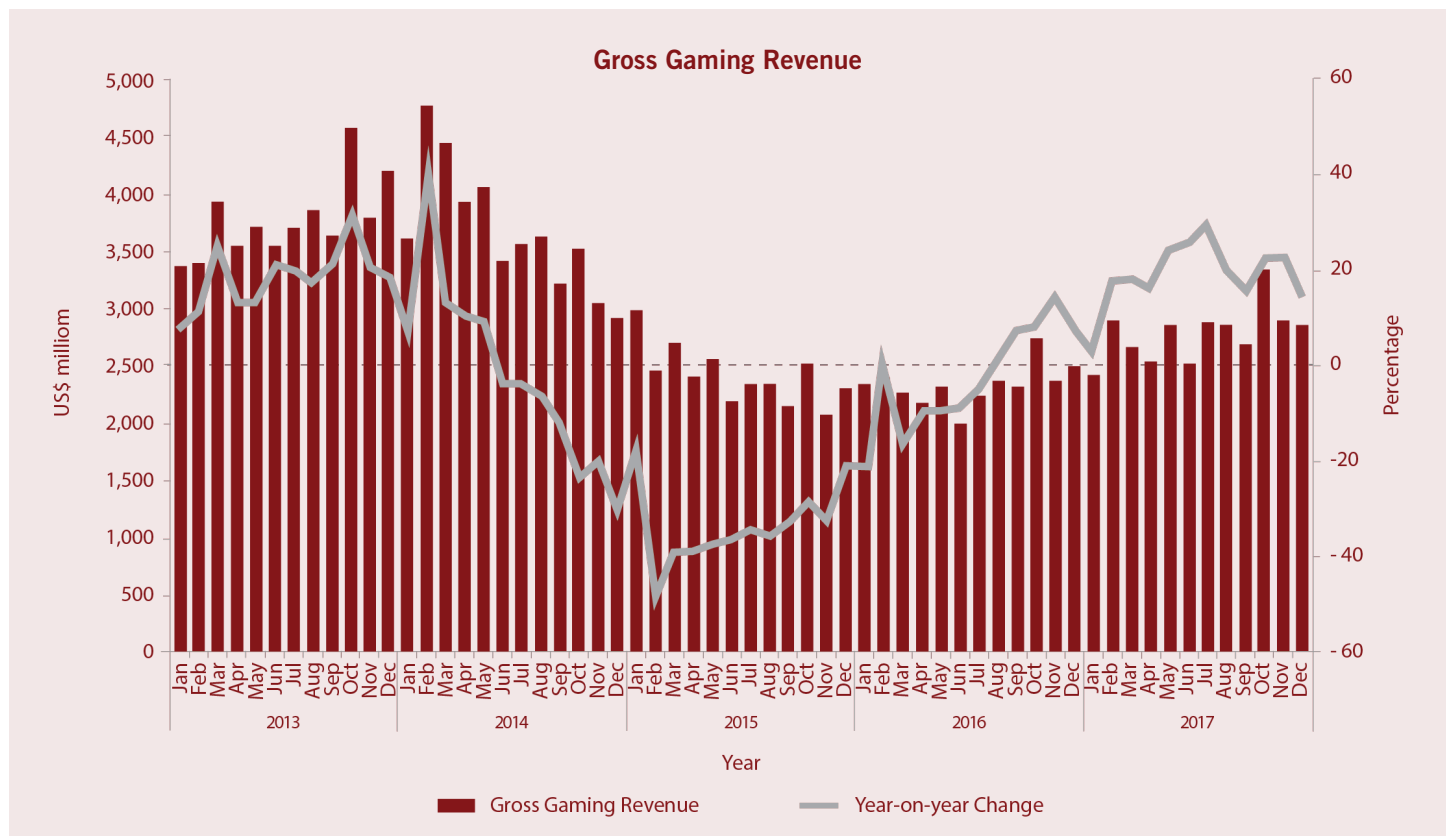
PROPERTY

Positive Investment Sentiment

The quarter saw another notable sale transaction took place in Macau. A local

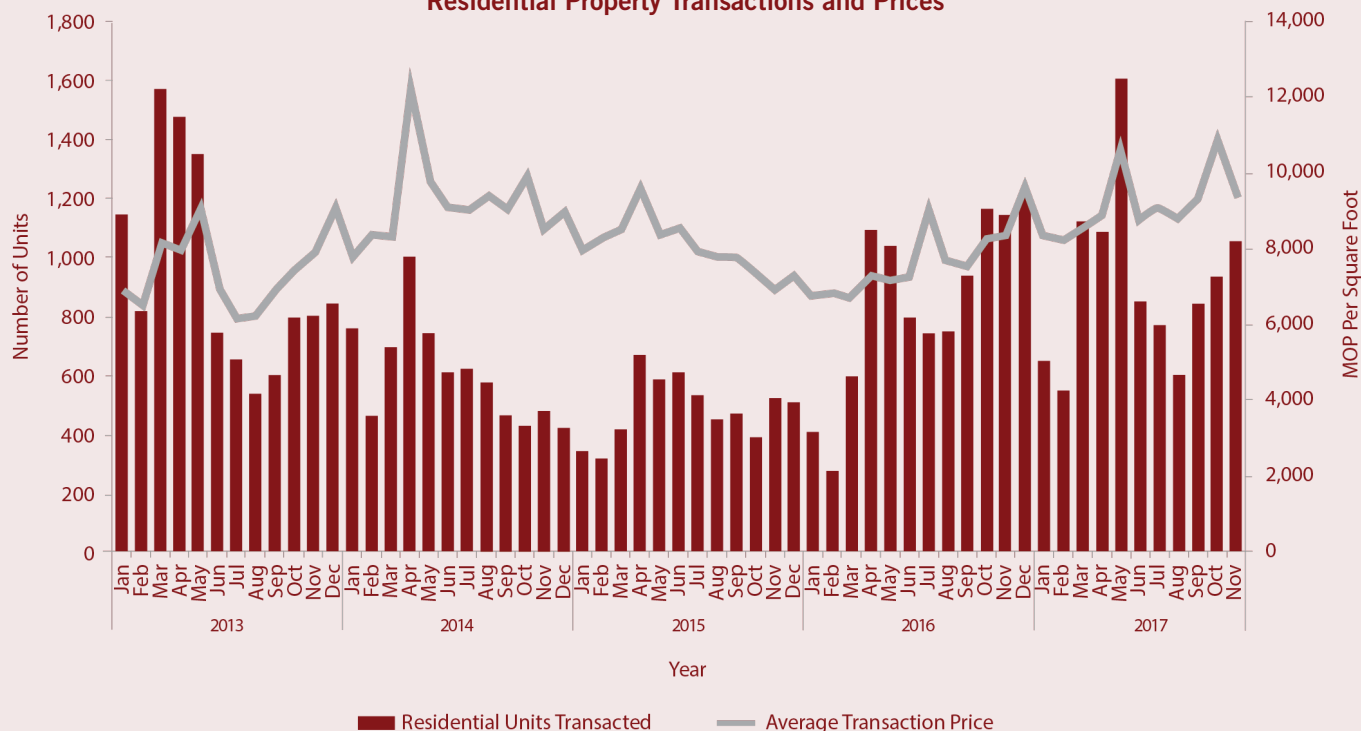
entrepreneur bought Hotel Lan Kwai Fong and 18 residential units from China Star Entertainment Limited for HK\$2 billion (US\$256.4 million). Amid

growing demand for accommodation, the company has the intention to utilise its net proceeds of approximately HK\$1.3 billion (US\$166.4 million) to build



Source: Gaming Inspection and Coordination Bureau (Macau)

Residential Property Transactions and Prices



Source: Financial Services Bureau

a luxury residential development and two commercial complexes on the site adjacent to the hotel. The development of the project is expected to complete in 2019. A group of real estate investors are in the midst of acquiring The Landmark Macau Hotel for HK\$4.6 billion (US\$589.7 million) and the transaction is expected to complete by March 2018.

We believe that these announcements will send a positive signal to investors and boost demand in the property market.

Residential Prices Continue to Recover

Based on latest statistics from the Financial Services Bureau, the average price of residential properties for the first

11 months of 2017 increased 21% YoY. As at the end of November, the average home price was MOP9,373 (US\$1,172) per square foot, and a total of 1,051 transactions took place during the month. Although the number of transactions declined by 8% YoY, it was an increase of 13% over October's figure, driven largely by the number of off-plan transactions in the Macau Peninsula. The total number of off-plan transactions as at November increased 82% YoY.

Outlook

We continue to be optimistic about the current and future state of Macau's economy. However, headwinds remain. Any further attempts to clampdown on

China's capital outflows may hinder the recovery of the gaming industry, especially the VIP segment, and further possible hikes in US interest rates, may lead to local banks increasing their mortgage rates.

The much discussed Belt and Road Initiative is expected to transform perceptions of Macau from a gambling enclave to a business interface between China and Portuguese-speaking countries. Additionally, investment sentiment for the city's property market is expected to be boosted further by the completion of the Hong Kong-Zhuhai-Macau Bridge, which will increase connectivity and bring new business opportunities to Macau.

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\$436.2 million as at 30 September 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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