



The villa and duplex units at *The Fountainside* to be reconfigured into smaller apartments to meet the rising demand for smaller homes.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£148.3 million
Share Price	194p
Number of Principal Properties	3
Total GFA	195,581 sq ft ¹
Portfolio Valuation	US\$340.2 million ²
Adjusted NAV per share	US\$3.46/247p ^{2,3}
Discount to Adjusted NAV	21.5%
Cash Balance	US\$110.6 million ²
Total Debt	US\$164.8 million ²
Loan-to-Value Ratio	36.6% ²

¹ Includes the 12 remaining units at *The Fountainside*.

² As at 31 March 2018.

³ Based on US\$/£ exchange rate of 1.402 as at 31 March 2018.

All other data are as at 30 June 2018.

*A distribution of 50 pence per share will be made by end-July following shareholder approval of the proposed return of capital. Leasing activity continued to gain momentum at *The Waterside*. Favourable mortgage policies for Macau young residents has supported transactions and property prices.*

Occupancy at *The Waterside* reached 70%.

Nine new leases were secured during the quarter.

Sales at *The Fountainside* remained quiet.

Only one transaction occurred during the quarter with sales hindered by government measures.

Full proceeds received from the sale of *Senado Square*.

A total sum of US\$50.5 million (GBP 38.2 million) – equivalent to 50 pence per share – will be paid out to shareholders.

Macau's fundamentals remained strong.

The city has now enjoyed seven consecutive quarters of economic growth.

Strong demand for properties below MOP 8 million.

Average home prices rose 10.4% in May, largely due to higher transaction volumes in the lower-price segment.

FUND

Further to the sale of Senado Square and the subsequent receipt of the sale proceeds, the vast majority of shareholders, at the recent general meeting held on 5 July 2018, have supported and approved the Company's proposed distribution of c. US\$50.5 million (GBP 38.2 million). Translating to 50 pence per share and representing 62% of the net profits of the sale, the distribution to shareholders will be fulfilled by way of a compulsory redemption of shares and

is expected to be made around 24 July 2018.

The financial standing of the Company has improved with the utilisation of the remaining proceeds from the disposal of Senado Square as working capital to support ongoing operations and for debt servicing. Total borrowings declined by US\$22.6 million to US\$149.8 million, after partial deployment of the proceeds in April to reduce existing debts.

The remaining properties in MPO's portfolio have a combined value of US\$340.2 million and the loan-to-value (LTV) ratio as of end March was 36.6%. Adjusted NAV per share rose 2.28% from the previous quarter.

The Company's share price stood at 194 pence as at the end of June, a 2.5% quarter-on-quarter decline.

PORTFOLIO

THE WATERSIDE

Leasing activity gained momentum during the period, with the occupancy level at *The Waterside* rising from 63% in the previous quarter to 70% at end June. The average rental rate increased 3% from the previous quarter to HK\$21.68 (US\$2.78) per square foot per month.

The Waterside, which has an enviable reputation for its unrivalled quality, continues to attract interest from prospective tenants. Lease renewals and new leaseings have been positive amid the recovery of Macau's gaming industry. Four recently renewed leases successfully achieved an average 12% rent increment.

To retain *The Waterside's* premium positioning and in turn drive rental values, it is essential to continually maintain and enhance the quality of the apartments. To this end, a number of minor enhancements are planned to improve the condition of the apartments, which include new fixtures and fittings as well as appliance upgrades.

The opening of the Hong Kong-Zhuhai-Macau Bridge, expected in the next few months, should continue to boost sentiment and is expected to present the opportunity to dispose of *The Waterside*. With much anticipation of new business opportunities and further growth in Macau's visitorship, coupled with its enhanced position within China's Greater Bay Area, we expect to see heightened interest from investors as they seek to benefit from Macau's ongoing progress and development.

THE FOUNTAINSIDE

The introduction of further property market cooling measures in February somewhat slowed transaction volumes during the period, especially for the middle and high-end property segments. Potential buyers are holding back while monitoring market developments. Despite this, the sales team successfully disposed of a 1,640 square foot, 3-bedroom apartment for US\$1.27 million during the quarter.

The asset manager has received the approval from all current owners for the reconfiguration of the property's duplex

units and villas into smaller and more marketable units comprising studio, one- and two-bedroom apartments. The architectural drawings are complete and they will be submitted to the authorities for approval.

As at the end of the quarter, 12 units – including 4 villas and 2 duplexes – and 10 car-parking spaces remained available for sale.

ESTRADA DA PENHA

Dedicated efforts to market and promote this fine property to high-net-worth individuals are ongoing. As with most ultra-high value luxury assets, the challenge lies in finding a buyer who is comfortable with the large lump sum involved. Patience is essential for the successful divestment of this exclusive asset and we remain confident that we will achieve an offer that meets our expectation and provides shareholders with an attractive return.

In the meantime, minor enhancement works are being carried out at the property to retain its attractiveness and presentation to prospective purchasers.



MACAU

Sustained economic growth

Macau's strong economic growth, largely driven by tourism and gaming services, continued through the first quarter of 2018, generating 9.2% year-on-year (YoY) growth – the seventh consecutive quarter of growth since Q3 2016. The International Monetary Fund forecast Macau's GDP to grow by 7% and 6.1%, respectively in 2018 and 2019.

The territory's economic fundamentals remained strong in the first quarter. The unemployment rate was at a low of 1.9% and the median monthly salary increased 3% quarter-on-quarter (QoQ) to MOP 16,000 (US\$2,000). Residents' combined bank deposits increased marginally by 1.1% in April from the preceding month, to MOP 594.8 billion (US\$74.35 billion).

Gross Gaming Revenue (GGR) rose 12.5% YoY to MOP 22.5 billion (US\$2.8 billion) in June. GGR for Q2 decreased by 3.7% QoQ to MOP 73.7 billion (US\$9.2 billion), partly attributed to the effect of the FIFA World Cup. For the first half of the year, GGR totalled MOP 150.2 billion (US\$18.8 billion), representing an increase of 18.9% YoY. Both the VIP and mass-market segments performed well in the first quarter of the year, with the VIP segment contributing 56% of total GGR, at US\$5.4 billion – a 5.7% QoQ and 21% YoY increase. The mass-market segment grew 5.6% QoQ and 19.9% YoY to reach US\$4.2 billion.

On the back of a strong Q1 performance, research firm Bernstein, upgraded its 2018 GGR growth forecast for Macau from 11% to 14%, in which VIP is expected to contribute to a 12% growth and mass-market a 17% growth.

Growing tourism and upcoming resorts

Macau welcomed 8.5 million visitors in Q1 2018, up 8.6% YoY. As of the end of May, the number of inbound visitors

rose 5.2% YoY to 2.7 million, with mainland China and Hong Kong visitors contributing the bulk of arrivals. The hotel occupancy rate in May was 85.3%, and the average duration of stay of guests remained stable at 1.4 nights. Visitor expenditure increased 22% YoY to MOP 16.4 billion (US\$2.1 billion) in Q1.

With the opening of the MGM Cotai resort in February, Macau's supply of hotel and guesthouse rooms increased to 38,600 units as of the end of March. In addition, the new US\$ 1.1 billion flagship hotel, Morpheus at City of Dreams, which opened in June, added 770 rooms to the stock of accommodation. Designed by award-winning architect Zaha Hadid, the Japan-themed hotel features an infinity pool and a spectacular dining space with panoramic views, as well as a casino targeting the premium gaming segment.

Grand Lisboa Palace, which is expected to open next year, will add 2,000 guest rooms to the existing supply. Given the constant high occupancy rate at Macau's hotels, the new and upcoming hotels, with their varied offerings, will provide visitors with more options and memorable experiences. Despite the additional supply coming from new and upcoming resorts, Macau's hotel capacity is still well below that of Las Vegas', which stood at 147,500 rooms as of April this year.

Infrastructure completions set to bring more opportunities

New infrastructure developments are expected to propel Macau's economic

from the previous month to reach MOP 10,508 per square foot, and pre-sale units recorded an average transaction price of MPO 14,873 per square foot – an increase of 10% MoM and 14.4% YoY. With the average residential property prices still 14% below the 2013 peak, there is still potential for Macau's home prices to recover further.

Newly approved mortgage loans increased 23.6% QoQ in Q1, and 21.3% YoY, to

China's Greater Bay Area



development in China's Greater Bay Area, a megalopolis planned by the Chinese central government. In the pipeline are the light rail transit (Taipa section), which is on track to commence operations in 2019 and will provide direct connectivity between the new Taipa Ferry Terminal and the integrated resorts, as well as other parts of Macau. The highly anticipated Hong Kong-Zhuhai-Macau Bridge, which is due to open in the second half of the year, will help to strengthen the region's connectivity and facilitate the flow of people and goods throughout the Greater Bay Area.

Additionally, construction works for the Shenzhen-Zhongshan Corridor, a 24 km sea link that connects Qianhai in Shenzhen and Cuiheng New Zone in Zhongshan, has started in April and is expected to open for traffic in 2024. Projected to cost 50 billion yuan (US\$7.8 billion), the link will shorten commuting time between the two cities from 2 hours to 30 minutes and will be a significant driver of travel within the Greater Bay Area.

PROPERTY

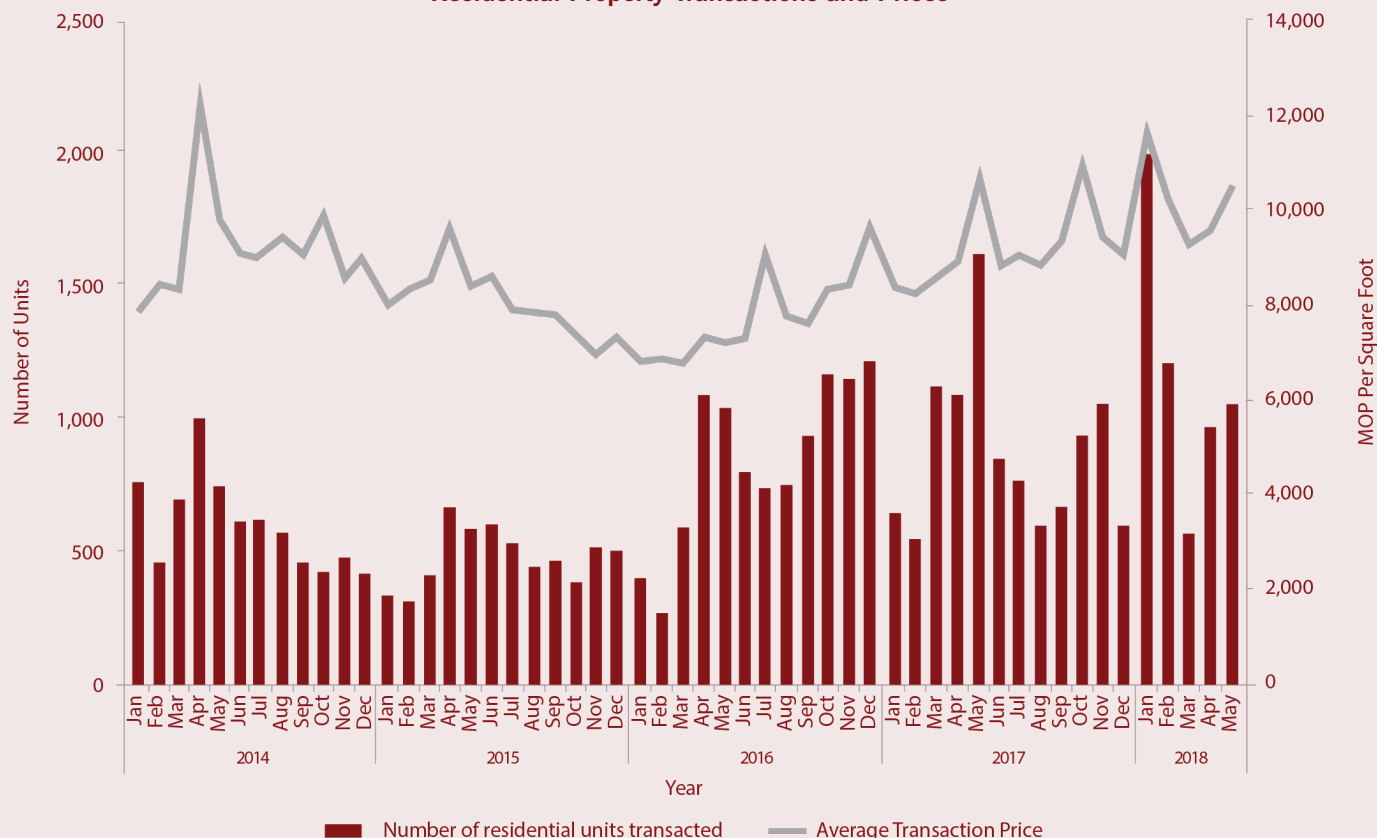
Improving housing market on the back of strong demand

Macau's residential property market continued to perform well in the first quarter, with 3,760 transactions completed during the period, up 46.1% QoQ and 62.7% YoY. May saw 1,050 transactions, a 8.9% increase from the previous month.

Average home prices grew 10.4% in May

MOP 12.4 billion (US\$1.6 billion), with local residents accounting for 90% of those loans. For the month of April, newly approved loans increased by 19% YoY to reach MOP 4 billion (US\$0.5 billion), with local residents accounting for 98% of the total. The total outstanding residential mortgage loan value expanded 4.4% YoY and 0.5% MoM to reach MOP 191.4 billion (US\$23.9 billion), with local residents accounting for around 93% of the total.

Residential Property Transactions and Prices



Source: Financial Services Bureau

The Monetary Authority of Macao raised its benchmark lending rate by another 25 basis points to 2.25% in June, following a similar move by Hong Kong to match the US Federal Reserve's rate hike. There has been no significant impact on mortgage rates as a result of the increase, and the current interest rate remains at a low level. Interest rates are, however, expected to rise gradually, which may affect mortgage rates

and hence the performance of the property market.

We remain cautious of any moves by the central government to further rein in on corruptions and capital outflow. In addition, the uncertainties surrounding further interest rate hikes, the upcoming expiration of gaming concessions as well as the trade dispute between China and the US, if

prolonged, may have a detrimental effect on the growth of Macau's economy.

Going forward, we expect Macau's property values to continue a gradual recovery, driven by forthcoming infrastructure developments, favourable Chinese central government policies and stable fundamentals.

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 portfolio of property assets is valued at US\$340.2 million as at 31 March 2018.

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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Stock Code

London Stock Exchange: MPO

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