

A view of the 55km Hong Kong-Zhuhai-Macau Bridge, including the 6.7km undersea tunnel segment, looking West towards Macau.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£100.2 million
Share Price	162p
Number of Principal Properties	3
Total Portfolio GFA	195,000sqft ^{1,2}
Portfolio Valuation	US\$330.4 million ²
Adjusted NAV per share	US\$3.24/249p ^{2,3}
Discount to Adjusted NAV	35%
Cash Balance	US\$36.1 million ²
Total Debt	US\$148.2 million ²
Loan-to-Value Ratio	40% ²

¹ Includes the 12 remaining units at *The Fountainside*

² As at 30 September 2018

³ Based on US\$/£ exchange rate of 1.303 as at 30 September 2018

All other data are as at 31 December 2018.

The US\$20 billion Hong Kong-Zhuhai-Macau Bridge opened to much fanfare in October and has seen strong initial usage. Although Macau's economy continues to expand, growth in gross gaming revenue is forecast to slow in 2019. Activity in the luxury property segment remains muted.

The Waterside saw occupancy decline.

Occupancy fell to 53% from 60% due to a slowing VIP gaming market which adversely affected some gaming-related tenants.

New sales campaign at *The Fountainside*.

We renewed our marketing of available apartments and car parks with special offers, but buyers remain cautious.

Marketing efforts continue at *Estrada da Penha*.

There have been several new enquiries and viewings following the recent enhancement of the property.

The secondary market for luxury properties remains subdued.

Buyers are still hesitant due to an uncertain macroeconomic environment and restrictive mortgage policies.

The Hong Kong-Zhuhai-Macau Bridge opened to traffic.

The 55km bridge is expected to be a long-term driver of Macau's economy and property market.

FUND

As at 30 September 2018, the key indicators of MPO's performance were as follows:

- Adjusted Net Asset Value (NAV) was US\$200.2 million, while Adjusted NAV per share was US\$3.24 (249 pence), a decline of 5% from 30

June 2018.

- Portfolio value stood at US\$330.4 million, a decrease of 2.2% after adjusting for the divestment of properties in Q3 2018.
- Cash on hand totalled US\$36.1

million, while bank borrowings totalled US\$148.2 million. MPO's loan-to-value ratio was 40.4%.

- As at 31 December 2018, MPO's share price was 162 pence, a 15% quarter-on-quarter (QoQ) decline.

PORTFOLIO

We are continuing to focus on securing further portfolio divestments, while proactively asset managing our properties to the highest standard.

THE WATERSIDE

The Waterside, MPO's landmark asset in downtown Macau, which comprises 59 residential units available for lease, saw occupancy decline to 53% from 60%.

Six gaming-related tenants terminated their leases, likely due to headwinds facing the industry: China's slowing economy, reduced VIP gaming activity, and the Macau government's plans to step up its regulation of the junket sector.

The quarter was a busy lease renewal period, during which we focused on improving rental levels. Our leasing team

successfully renewed 75% of leases expiring in Q4 on improved terms.

The average rental rate for *The Waterside*, however, saw a slight quarterly decrease of 2.2% to HK\$21.42 (US\$2.74) per square foot per month, since new leases were signed for units generally on lower floors with lower asking rents.

THE FOUNTAINSIDE

The FountainSide is MPO's low-density residential development in the prestigious Penha Hill district, comprising 42 homes and 30 car-parking spaces. Twelve units and nine car-parking spaces remain available for sale.

We have applied to the Macau authorities to reconfigure the six largest units – four villas and two duplexes – into smaller, more marketable units, and we are

awaiting a response to our submission.

We continue to actively market the remaining apartments, although the residential property sector remained quiet during the quarter as potential buyers adopted a "wait-and-see" attitude.

ESTRADA DA PENHA

Estrada da Penha is a prestigious, colonial-style villa atop Penha Hill, an exclusive, highly sought-after residential enclave.

We continue to pursue divestment opportunities for the property. The opening of the new bridge has increased the attractiveness of Macau as an investment market within the Greater Bay Area, and a number of new enquiries have emerged from Hong Kong and mainland China.



One Central, Macau's premier mixed-use development, where MPO's flagship asset *The Waterside* is located.

MACAU

Positive GDP growth

Macau's third-quarter GDP expanded by 1.6% year on year (YoY). The territory's economy grew at a slower pace due mainly to a continuous decline in construction investment and a notable slowdown in service export growth. In the first three quarters, Macau's GDP grew 5.6% YoY.

The International Monetary Fund forecasts 6.3% full-year growth for Macau, while the Economist Intelligence Unit's full-year growth forecast for the territory stands at 3.8%.

The Economist Intelligence Unit expects Macau's economy to maintain its positive growth trend in 2019, albeit at a slower pace of 2.3%.

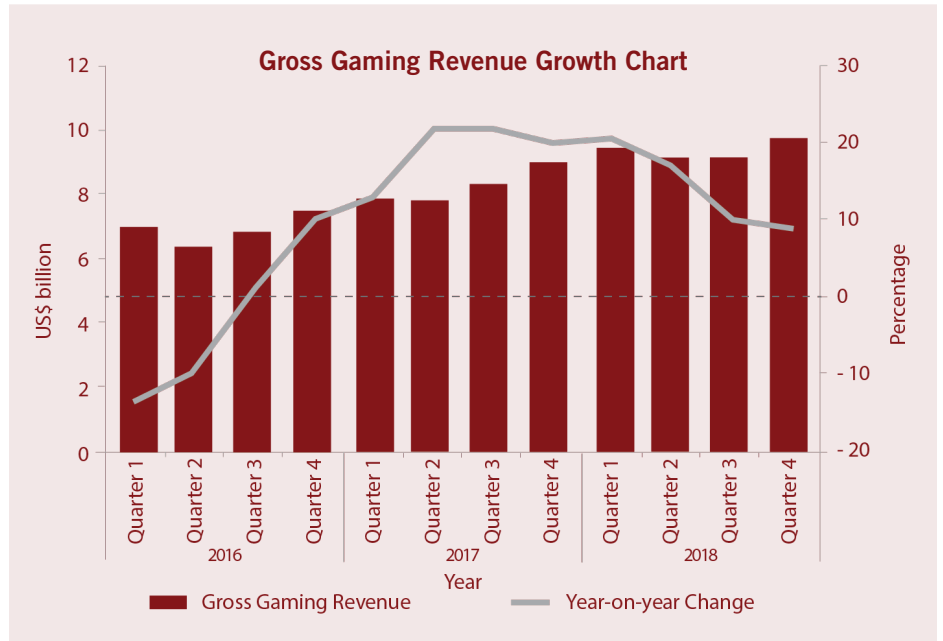
Gross gaming revenue (GGR) set to slow

GGR increased 8.9% YoY to reach US\$9.8 billion in Q4. For the full year, Macau's accumulated casino GGR stood at US\$37.6 billion, up 14% YoY.

Looking forward, however, analysts are tempering their forecasts, with Morgan Stanley revising its 2019 GGR growth outlook from 5% to -2%, citing concerns over China's slowing economy and its ongoing anticorruption campaign. Fitch Ratings forecasts that Macau's GGR will grow in a mid-single-digit percentage range in 2019, and it has maintained a long-term positive outlook for the city's gaming industry.

Gaming operators continue to expand

Las Vegas Sands has announced that



Source: Statistics and Census Service of Macau

it will invest US\$2.2 billion to upgrade three of its Cotai properties through 2021, doubling the scale of investments it had announced in 2017.

Wynn Macau has announced plans to add two hotel towers to the Wynn Palace Casino Resort in Cotai, increasing its guest room count from 1,700 units to more than 3,000.

SJM Holdings and China Duty Free Group (CDFG) have announced a memorandum of understanding to open a CDFG flagship store at the Grand Lisboa Palace that is due to open later this year.

Visitor arrivals hit record in 2018

For the period ending in November,

visitor arrivals grew by 15.3% YoY to 3.3 million. The Macao Government Tourism Office expects the number of tourists visiting Macau to increase 7% YoY to 35 million for full-year 2018, the highest ever.

There were a total of 116 hotels and guesthouses in operation in Macau at the end of November, providing 39,000 hotel and guesthouse rooms, of which around 25,000 were five-star hotel rooms. The average occupancy rate increased to 94% in November, up by 2.5 percentage points YoY.

The tourism office recently said that the city should add around 1,000 new guestrooms annually in order to drive more overnight visitation.

HONG KONG-ZHUHAI-MACAU BRIDGE

The Hong Kong-Zhuhai-Macau Bridge was declared open by Chinese President Xi Jinping on 23 October. The 55km bridge – the world's longest sea crossing – connects Macau to Hong Kong, and is one of a series of government infrastructure initiatives to integrate and connect the Greater Bay Area.

The bridge significantly improves access to Macau for visitors arriving via Hong Kong airport, compared to existing ferry services. It offers a shorter travel time of 40 minutes via a bus service that runs every five minutes during peak hours.

The considerable improvement in connectivity to Macau provided by the bridge is a potential game-changer for

the territory's economy, promising to boost mass-market GGR and drive growth in non-gaming revenue streams such as MICE (meetings, incentives, conferences and exhibitions), retail and food & beverage.

The bridge has attracted an impressive number of travellers since its opening. In the initial four weeks, the Macau boundary crossing point on the bridge handled a total of 407,241 inbound travellers.

Over time, the bridge is likely to provide upside for property prices in the Western Pearl River Delta, particularly Macau and Zhuhai, where real estate values lag those of Hong Kong.



PROPERTY

First-time buyers dominate residential market; luxury market remains subdued

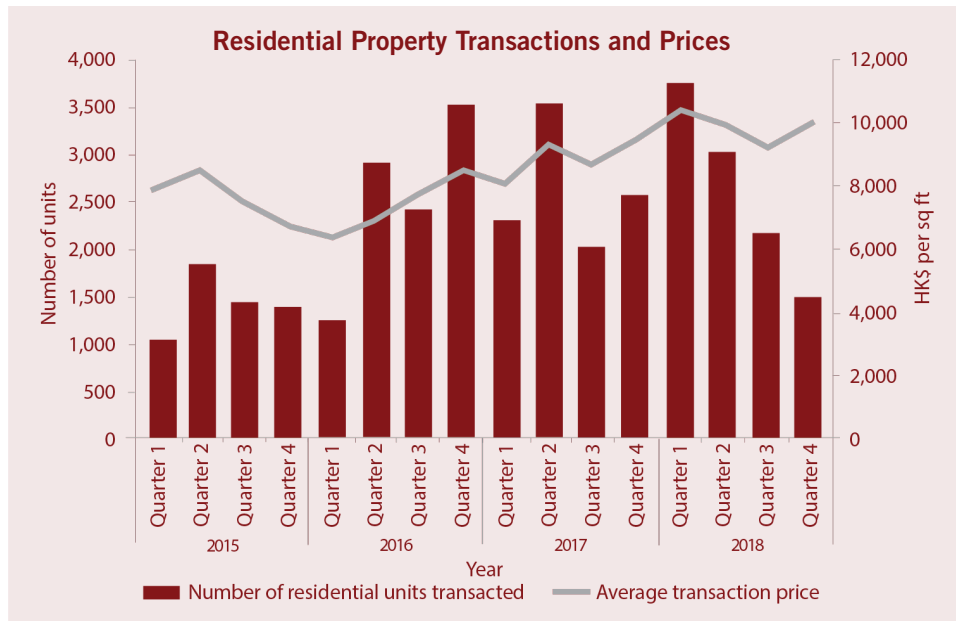
On the back of new housing policies and relatively low borrowing costs, the territory's residential market remains dominated by first-time buyers, who accounted for more than 80% of transactions in 2018. The secondary market, particularly for the larger properties to which MPO is predominantly exposed, remains subdued as buyers' caution persists in an uncertain macroeconomic environment.

Driven by an increase in pre-sales of new residential property, Macau's average home prices reached HK\$9,825 (US\$1,255) per square foot as of November, up 8% YoY. The number of residential units transacted totalled 10,169 from January to November, an increase of 3.1% from the previous year.

Housing prices remained stable on the Macau Peninsula, where the market is mainly driven by end-users, while in Taipa, the residential property market became more active as some owners of newly-completed residential units were looking to sell at or slightly below contract prices.

The Monetary Authority of Macao raised its base lending rate by 25 basis points to 2.5% in September, the third increase of the year. However, year on year in October, the total outstanding balance of residential mortgage loans had increased by 12.4% to US\$26.3 billion, with loans to local residents accounting for nearly 93% of the total.

In December, the monetary authority raised its base rate for a fourth time



Source: Financial Services Bureau

this financial year, by 25 basis points to 2.75%, in line with rate hikes by the US Federal Reserve and the Hong Kong Monetary Authority, although local banks have so far kept their mortgage lending rates unchanged.

Macroeconomic uncertainties temper Macau's positive outlook

In the short term, first-time buyers will continue to dominate the real estate market, with the acquisition of smaller, lower-priced properties which benefit from more generous mortgage allowances.

Investors and upgraders, who are affected by a mortgage cap for transactions worth more than MOP 8 million, meanwhile, will likely stick with their wait-and-see attitude until there is more clarity in the macro environment, which has been

buffeted by the trade war between the US and China, rising interest rates, and consequently softer regional markets.

Despite the challenging economic environment and current lack of demand for higher-priced properties, we are continuing to work towards further portfolio disposals as a top priority.

Please note that henceforth, investor updates will be released on a biannual basis with the next report due to be issued in Q3 2019.

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 was valued at US\$330.4 million as at 30 September 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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