



Artist's impression of potential development on-site.

The Senado Square project was sold for HK\$800 million.

QUICK FACTS

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£152.1 million
Share Price	199p
Number of Principal Properties	3
Total GFA	264,300 sq ft ^{1,2}
Portfolio Valuation	US\$435.1 million ²
Adjusted NAV per share	US\$3.38/250p ^{2,3}
Discount to Adjusted NAV	20.4%
Cash Balance	US\$15.3 million ²
Total Debt	US\$172.3 million ⁴
Loan-to-Value Ratio	38.3% ⁴

¹ Includes the 13 remaining units at The Fountainside.

² As at 31 December 2017.

³ Based on US\$/£ exchange rate of 1.351 as at 31 December 2017.

⁴ Assuming a full drawdown of MPO's committed loan facilities and based on MPO's portfolio value as at 31 December 2017.

All other data are as at 31 March 2018.

The sale of Senado Square has been successfully completed. Average rental rates at The Waterside continued to improve and 11 carparking spaces at The Fountainside were sold. A new government housing policy was introduced to curb short-term speculation.

Divestment of Senado Square project.

The transaction was concluded at HK\$800 million following shareholder approval.

Occupancy level at The Waterside improved slightly to 63%.

Average rental rate increased 5.6% to HK\$20.96 per square foot per month.

Sales at The Fountainside.

Eleven carparking spaces were sold for a combined value of HK\$22.7 million.

Brighter economic outlook for Macau.

The International Monetary Fund has forecast gross domestic product to grow by 7% in 2018.

New housing policy takes effect.

The government has announced a series of measures to control housing prices.

FUND

The Company released its interim results on 7 March for the six-month period ended 31 December 2017.

As at 31 December 2017, MPO's Adjusted NAV per share and portfolio value had increased 0.5% and 0.6%, respectively from the last quarter. Its loan-to-value

ratio of 38.3% remained largely unchanged from September. The Company's share price was 199 pence as at the end of March, a gain of 8.2% quarter-on-quarter.

PORTFOLIO

THE WATERSIDE

Macau's property market continued to trend positively during the quarter, which saw the average rental rate at *The Waterside* rise 5.6% to HK\$20.96 (US\$2.69) per square foot per month. The occupancy level improved slightly to 63%.

There has been a steady stream of leasing enquiries, particularly from the gaming industry, as more senior executives arrive in Macau to take up jobs in newly-opened integrated resorts. The asset enhancement initiatives carried out during the economic downturn have enabled *The Waterside* to stay relevant in this changing landscape, reinforcing its prestigious status, which we believe will appeal to this group of potential tenants seeking well-appointed accommodation.

THE FOUNTAINSIDE

A total of 11 carparking spaces, 9 of which were packaged as a bulk sale, were transacted during the quarter for a combined value of US\$2.9 million. The sale of a three-bedroom apartment is also being finalised and is expected to be completed in April.

Although some good progress has been made on sales, we are adopting a somewhat conservative outlook on the residential market, which has been affected by the recent measures to rein in property prices. The residential sales

market is expected to remain muted in the next few months, as potential buyers are likely to stay on the sidelines.

Meanwhile, we are exploring the feasibility of subdividing the larger units at *The Fountainside* into studio apartments and one and two-bedroom apartments to cater to the rise of smaller households and increasing demand for smaller units.

As at the end of the quarter, 13 units, including 4 villas and 2 duplexes, and 11 carparking spaces were available for sale.

ESTRADA DA PENHA

The recent imposition of higher stamp duty by the government is likely to see minimal impact on foreign buyers and corporate entities, which are the target investors of *Estrada da Penha*. Our sales team will continue to raise the profile of this unique property through dedicated marketing channels and personal networks.

SENADO SQUARE

The sale of our *Senado Square* project was successfully concluded on 26 March 2018, for a total sum of HK\$800 million (c.US\$102 million). The sum represents a premium of c.14% to the property's valuation of HK\$703 million (c.US\$89.7 million) as at 31 January 2018, and a gain of 541% over the HK\$124.8 million (US\$15.9 million) acquisition cost in October 2007. This translates to a return

on investment of 469% and an internal rate of return of 20%.

Following the initial c.1.9% deposit of HK\$15 million (c.US\$1.9 million) received by the Company in February, the remaining sales proceeds of HK\$785 million (c.US\$100.1 million) have been deposited into an escrow account. The Company is expected to receive the sum within 21 days, upon the registration of the share transfer with the Macau Commercial Registry.

A bank guarantee of HK\$80 million (c.US\$10.2 million) has been provided to the purchaser for a period of 6 months, against any debts, taxes or miscellaneous fees and payments that may arise.

Upon the expiry of the bank guarantee, the Company together with one of its Macanese subsidiaries will jointly provide a corporate guarantee of HK\$20 million (c.US\$2.6 million) to insure the purchaser against the same items as above for a further period of 6 months.

The successful sale of the *Senado Square* project has strengthened the financial position of the Company and stands it in good stead to negotiate further divestments of its remaining assets. Details of the proposed return of sale proceeds will be announced to shareholders in due course.



Eleven carparking spaces at *The Fountainside* were sold for HK\$22.7 million.

MACAU

Brighter Outlook for Macau's Economic Growth

Macau ended 2017 with a better-than-expected economic performance. Full-year gross domestic product (GDP) expanded 9.1% year-on-year (YoY), beating a 5.2% forecast at the beginning of last year. The International Monetary Fund has revised its 2018 GDP forecast from an initial 1.7% to 7%. In addition, Fitch Ratings has upgraded Macau's long-term credit rating from AA- to AA*.

We believe that Macau is well positioned to become a world leisure and tourism hub, supported by strong tourism figures and catalysts from new and upcoming casinos, as well as the completion of key infrastructure projects.

Fitch: Cautious Optimism on the Gaming Industry

According to the Gaming Inspection and Coordination Bureau, Macau had achieved 20 consecutive months of YoY gross gaming revenue (GGR) growth by March. In the first three months of the year, GGR

reached US\$9.6 billion, a growth of 20.5% YoY.

In light of the strong growth momentum seen in the gaming industry, Fitch Ratings revised its GGR YoY growth forecast to 13% for 2018 – an upgrade of 2 percentage points from its previous forecast. Despite the optimistic projection, the agency expressed caution on the sustainability of the VIP segment, which is susceptible to any policy changes made by China's central government.

One Step Closer to Becoming a World Tourism Centre

The number of inbound visitors to Macau totalled close to 33 million in 2017, up 5.4% YoY. As at the end of February, the city had welcomed 3.1 million visitors, up 23.1% YoY. Based on the latest statistics from the Macao Government Tourism Office, the number of visitors from mainland China surged 18.2% YoY to approximately 210,000 during the first three days of the Lunar New Year in February, while overall visitor arrivals increased 9% YoY to approximately

315,000.

The progressive openings of multibillion-dollar integrated resorts since 2015, attracting mass-market gamblers and family-oriented visitors to Macau, has created critical mass in Cotai.

MGM Cotai, the newest resort on the Cotai Strip, opened its doors in February. The US\$3.4 billion integrated resort, offering 1,400 hotel rooms and a wide range of non-gaming facilities, is aligned with the government's call to transform the stretch of reclaimed land into a family-friendly zone.

On the infrastructure front, Macau International Airport's northern terminal building expansion project was recently completed, increasing the airport's capacity to 7.5 million passengers annually. In 2017, the airport received 7.16 million passengers, an increase of 8% YoY. The Hong Kong-Zhuhai-Macau Bridge, the world's longest sea bridge, is set to open in June this year, further improving connectivity, attracting more visitors and stimulating economic growth.

* AA ratings denote low financial risk and a strong balance sheet for the payment of financial commitments.

PROPERTY

Home Prices Continued to Gain Upward Traction

Macau's home prices continued to trend upwards, underpinned by strong economic drivers and low borrowing costs. According to the Financial Services Bureau, as at the end of February, a total of 1,207 units had been transacted, and the average home price achieved was MOP10,242 per

square foot. This represents a YoY increase of 121.1% and 24.7%, respectively.

Demand in the primary sales market has remained strong in the first two months of the year. The number of off-plan sales in February increased sevenfold from the previous year to 526 and average transacted price increased 4.8% YoY to MOP11,990 per square foot.

New Housing Policies Take Effect

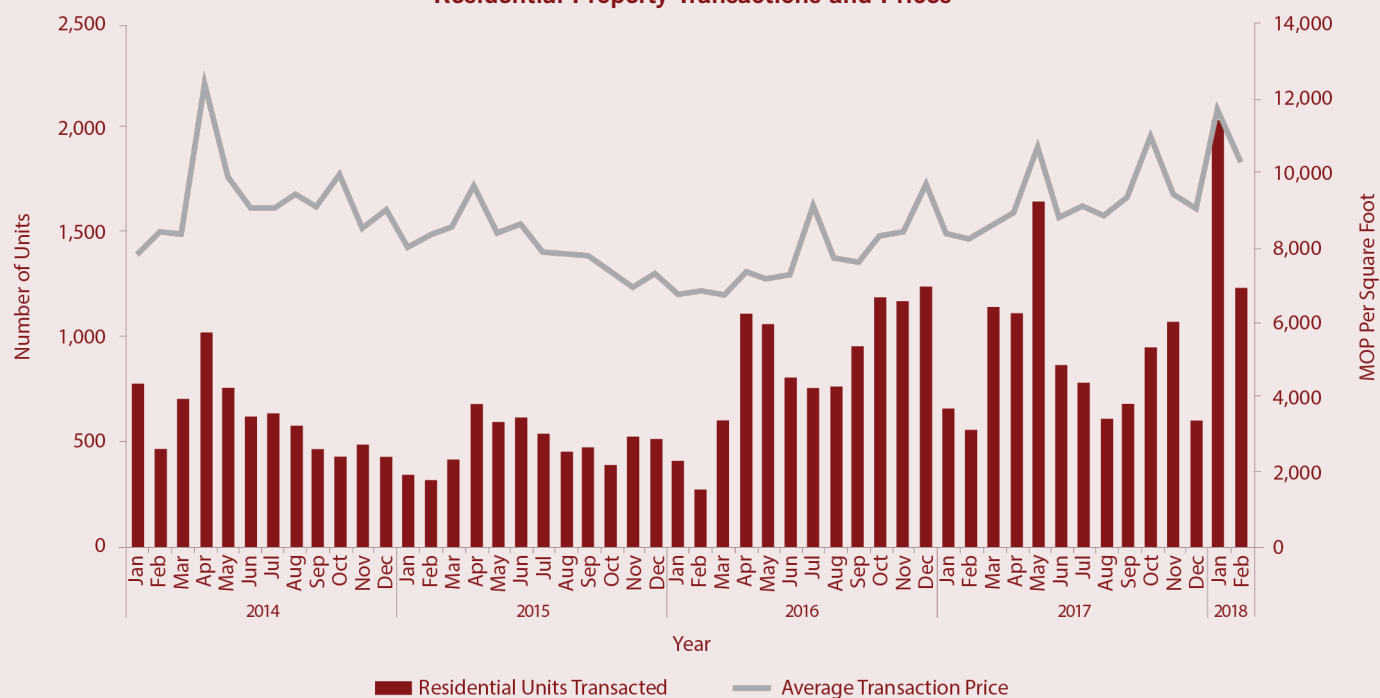
The government announced a series of new housing policies in February to curb short-term speculation and to mitigate the lack of affordable housing in Macau. The measures include higher stamp duty for buyers who are non-first-time property owners, mortgage loans for young residents and the imposition of a tax on vacant housing units.

New Housing Policies

Policy	Measure	Potential Impact
Higher stamp duty for non-first-time property buyers	<ul style="list-style-type: none"> Additional 5% stamp duty on second property Additional 10% stamp duty on the third property and above 	<ul style="list-style-type: none"> Clamp down on short-term property speculation Slow down home sales in the short term
Mortgage loan for Macau young resident [#] (first-time buyer)	> MOP8 mil (Max. mortgage loan of 50%)	<ul style="list-style-type: none"> Surge in demand for homes priced between MOP3.3 and 8 million
	> MOP3.3 mil to <= MOP8 mil (Max. mortgage loan of 80%)	
	<= MOP3.3 mil (Max. mortgage loan of 90%) (Max. mortgage loan of 80% for pre-sale unit)	
Tax on vacant units	6%	<ul style="list-style-type: none"> Increase in housing supply in the leasing market Rent values may soften as property owners rush to lease their units

Source: Imprensa Oficial

Residential Property Transactions and Prices



Source: Financial Services Bureau

Property Market Outlook

While the prospects of Macau's property market remain positive, we continue to maintain a cautious stance as any further intervention by the government could disrupt the current outlook. Other potential headwinds that could threaten the city's economic growth include new rounds of interest rate hikes by the US Federal Reserve, which local banks are likely to follow in lockstep, and the brewing US-China trade war where investment sentiment could be affected.

We believe that Macau's property market remains compelling in the medium to long term, thanks to the city's positive

economic growth and sound fundamentals. The government's move to tighten its housing policy is a pragmatic one, intended to promote a healthy and sustainable residential market. Strong support from China's central and local governments to improve connectivity within the region is likely to boost demand for homes and housing prices.

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 are valued at US\$435.1 million as at 31 December 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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Stock Code
London Stock Exchange: MPO

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