

INVESTOR UPDATE

H2/2020

After Macau's disappointing first half due to the effects of COVID-19, H2 showed some improvement with the pandemic under control in the territory and neighbouring China. These factors, together with the government's strategic plan for economic recovery, provide some cause for cautious optimism in 2021. The gradual easing of travel restrictions and improving investor sentiment enabled us to close a modest level of property sales.

 Further enhancement works at Estrada da Penha have been completed.

KEY DATA

Inception Date

5 June 2006

Exchange

London Stock Exchange

Domicile

Guernsey

Market Capitalisation

£42.8 million

Portfolio Valuation

US\$273.8 million¹

+0.07% (vs 30 June 2020)

Adjusted NAV

US\$134.6 million¹

Adjusted NAV per share

US\$2.18¹/160p²

-1.4% (vs 30 June 2020)

Share price

69.25p

+12.1% (vs 30 June 2020)

Discount to Adjusted NAV

56.7%

66.4% (as at 30 June 2020)

Cash Balance

US\$19.9 million¹

Total Debt

US\$146.6 million¹

Loan-to-Value Ratio

49.9%¹

¹ As at 30 September 2020.

² Based on a US\$/£ exchange rate of 1.364349 as at 31 December 2020.

All other data are as at 31 December 2020.

MANAGED BY



Portfolio

Macau's economy showed some improvement in the second half, however the luxury end of the residential property market remained quiet as the impact of the COVID-19 pandemic along with government mortgage caps, continued to drag on sentiment.

The Waterside

The Waterside is MPO's flagship asset, comprising 59 luxury apartments for lease in downtown Macau and overlooking the Nam Van Lake. At the end of 2020, 31% of *The Waterside's* apartments were occupied.



Living area of a duplex unit at *The Waterside*.

Although our marketing efforts, coupled with the easing of travel restrictions between mainland China and Macau generated some interest among potential tenants, securing new tenants as well as retaining existing ones remains challenging. Nevertheless, we are following up closely on all indications of interest, and have been offering more flexible lease terms in an effort to stabilise and grow the occupancy level.

The last remaining individual unit at One Central Residences was sold for HK\$25 million (US\$3.2 million), a 4% premium to its latest valuation, with the transaction completed in November. Most of the sale proceeds were utilised to pay down *The Waterside's* bank loan. A facility of HK\$540 million (US\$69.7 million) was executed in September 2020 to refinance the loan repayments of the previous tranches. The Manager is in progress to conclude another facility which will cover the upcoming repayments due in 2021.

The Fountainside

The Fountainside is a residential development in the Penha Hill district that comprises 42 homes and 30 car-parking spaces. Despite the challenges posed by the pandemic, we secured sales of three residential units for a combined total of HK\$36 million (US\$4.7 million). The sales were transacted at prices representing a 2% premium to the properties' respective latest valuations. Among the three sales, two were completed in October and one was expected to be complete by end of January, as per the



The living room area of the recently sold unit at *The Fountainside*.

terms of the promissory sale and purchase agreement. Only one standard unit remains for sale.

For the remaining four villas, we are continuing with our marketing efforts, pursuing creative strategies to attract buyers and engaging with selected agents, positioning *The Fountainside* as an investment asset to capture the upside from the recovery of Macau's economy. In addition, we expect to make a full submission for the authorities' review shortly, on reconfiguring the two duplexes to smaller and more affordable units in line with current market demand.

Only one standard unit at *The Fountainside* remains for sale

Estrada da Penha

We completed further enhancement works at *Estrada da Penha*, a prestigious, colonial-style villa atop Penha Hill, during the quiet period and to coincide with essential maintenance. Greater sales and marketing efforts were launched as travel restrictions for Chinese nationals entering Macau were relaxed in Q3 2020, albeit with tighter visa controls. In addition to engaging with property agents specialising in the luxury segment, exclusive events showcasing the property are being planned.



An interior view of *Estrada da Penha* following the recent enhancement works.

Macau

Covid-19 containment – a successful management of the pandemic

Remarkably, despite the reopening of its borders to tourists from mainland China, Macau's tally of COVID-19 cases remains at 46, with no new cases for six months. Nevertheless, the authorities in both mainland China and Macau remain vigilant and ready to act quickly to contain any new outbreaks.

Macau's vaccination programme is expected to begin in the first quarter

On the vaccine front, Macau's government has purchased a total of 1.2 million doses of vaccines from Sinopharm, BioNTech and AstraZeneca. The vaccination programme is expected to begin in Q1 2021 and will be provided to frontline workers first.

Economic impact – containment of COVID has come at a cost

After Macau suffered its worst GDP contraction – a dive of 68% year on year (YoY) – in Q2 2020, its GDP shrinkage slowed somewhat to 64% YoY in Q3 amid the easing of border control measures between mainland China and the territory. The International Monetary Fund forecasts that Macau's economy will have contracted by 52% by the end of 2020, but expects a rebound to positive growth of 24% in 2021.

Policy Address – signs of strong leadership

Macau's Chief Executive, Ho Iat Seng, delivered his 2021 Policy Address in November, outlining a strategic plan for sustainable growth, focusing on economic revitalisation, epidemic control, social welfare, administrative reform and integration with the Greater Bay Area. His address underscored a shift towards the healthy and stable development of the gaming industry as Macau prepares to issue new gaming concessions when the existing ones expire in June 2022. Before granting new concessions, the government will review gaming laws in 2021, and prepare a draft bill for the Legislative Assembly to enact new gaming legislation. In view of the challenging timeline, Morgan Stanley has speculated that the current concessions may be extended for three years to 2025 as an interim measure.

Tourism – a difficult year but signs of recovery

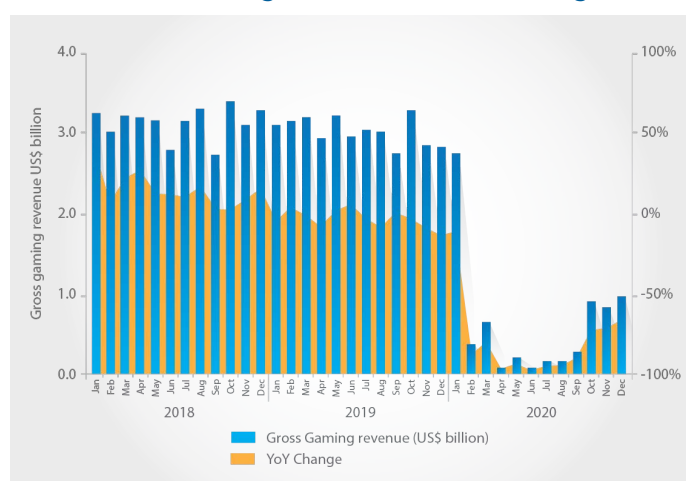
With mainland China and Macau relaxing travel restrictions, Macau recorded around 636,000 visitor arrivals in November, a 9.3% month-on-month (MoM) increase. For the first 11 months of the year, visitor arrivals totalled 5.2 million, down 86% YoY. Some preliminary figures indicate

that Macau welcomed over 30,000 visitors on New Year's Eve, the highest daily number over the past 11 months. The average hotel occupancy rate during the New Year period was over 67%. The authorities attributed the increase in hotel occupancy rate partly to the ongoing promotions targeting mainland Chinese tourists, and will continue to promote Macau as a safe tourism destination, attracting visitors to travel to the territory.

Gaming – severely affected but recovering in H2

Gross gaming revenue (GGR) rebounded 229% MoM to around US\$910 million in October, and reached around US\$980 million in December, the highest since the pandemic began. However, for the full year, GGR totalled US\$7.6 billion, down 79% YoY.

Gross Gaming Revenue and YoY Change



Source: The Gaming Inspection and Coordination Bureau

Analysts remain positive on Macau's gaming industry, citing China's rapidly recovering domestic tourism (which includes Macau) and the strong appeal of the territory's casinos and integrated resorts amongst the limited avenues to fulfil pent-up demand within China for leisure services and gaming. Sanford C. Bernstein, a US brokerage, forecasts that Macau's 2021 GGR will return to around 80% of 2019 levels. The optimism is also reflected in Sands China opening The Grand Suites at Four Seasons in October and scheduling February 2021 to launch The Londoner Macao after witnessing the return of mainland Chinese tourists to Macau.

Government relief measures – boosting local business and driving visitors

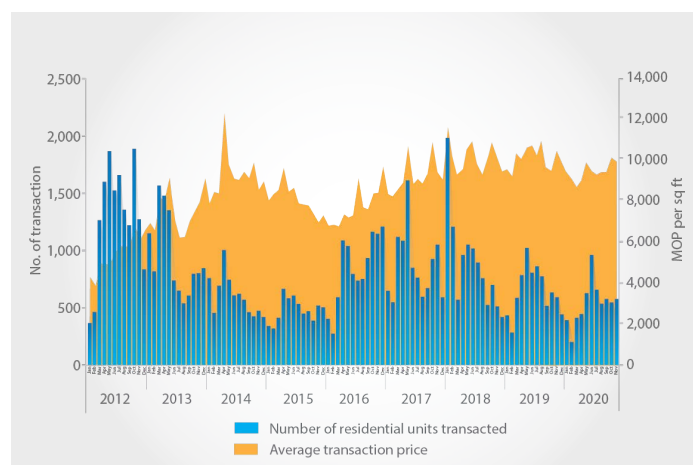
Macau's government has applied its vast reserves to a series of relief measures to boost the local economy in the wake of the pandemic. These include a MOP290 million (US\$36 million) campaign targeting mainland Chinese with attractive offers for accommodation and shopping vouchers to tempt them back to Macau for holidays. The government may also launch a third phase of its consumption subsidy scheme.

Property

Macau's residential property market remained relatively quiet in Q3 2020, with 1,765 units transacted, a drop of 18% YoY. In November, a total of 574 units were sold, a decline of 3% YoY, and the average transaction price declined by 4% YoY to US\$1,240 per square foot. For the first 11 months of the year, a total of 5,930 transactions were recorded, down 19% YoY. New launches by developers in October were well received by locals, particularly end-users looking to upgrade from their current homes. However, units worth under MOP8 million (US\$1 million) remain the most sought-after.

In the luxury residential market, there were signs of recovery. Citing the recent sale of a 3,700 square foot residential unit for around US\$9 million, property agent Centaline Macau expects that, with COVID-19 remaining under control and with the imminent arrival of vaccines, market sentiment may recover further and is likely to bring more activity to the luxury segment in the near term. Nevertheless, Macau's strict mortgage rules are likely to continue to weigh on the luxury segment, due to its effects on investor sentiment and confidence.

Residential Property Transactions and Prices



Outlook

Needless to say, Macau's economic recovery remains heavily reliant on the successful containment of COVID-19 in the region. While both Macau and China have managed the pandemic well so far with strict public health measures and decisive action to contain outbreaks, any resurgence in the virus could derail Macau's economic recovery.

However, as restrictions are gradually unwound and assuming light eventually emerges at the end of the COVID-19 tunnel, there may be a renewed refocus on property investments. In this regard, Macau offers a strong value proposition for investors, particularly as Greater Bay Area inter-connectivity expands. The strengthening

We are exploring all opportunities for the disposal of the remaining assets

RMB could also rekindle appetite for offshore real estate investment, potentially benefiting Macau's economy and property market.

Against this cautiously optimistic backdrop we are exploring all opportunities for the disposal of the remaining assets through our local and international network, while remaining mindful that the global pandemic situation may affect the timeline of such disposals.

FURTHER INFORMATION

Investor Relations
Sniper Capital Limited
Tel: +852 2292 6789
info@snipercapital.com
www.snipercapital.com

Corporate Broker
Liberum Capital
Gillian Martin / Owen Matthews
Tel: +44 20 3100 2234

Company Secretary and Administrator
Ocorian Administration (Guernsey) Limited
Kevin Smith
Tel: +44 14 8174 2742

Stock Code
London Stock Exchange: MPO

LEI:
213800NOAO11OWIMLR72

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.

The Company is premium listed on the London Stock Exchange.

Launched in 2006, the Company targets strategic property investment and development opportunities in Macau. Its portfolio of property assets was valued at US\$273.8 million as at 30 September 2020.

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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