

 Macau Property Opportunities Fund

INVESTOR UPDATE

H2/2023

The Company has continued its carefully managed divestment programme, achieving sales valued at approximately US\$52 million since commencement. Macau's economy, meanwhile, has continued to rebound following the lifting of COVID-related restrictions in early 2023, although its property market has remained sluggish. Looking forward, recently announced government measures to relax long-standing anti-speculation property restrictions from early 2024, may provide some support to the luxury residential segment.

KEY DATA

Inception Date
5 June 2006

Exchange
London Stock Exchange

Domicile
Guernsey

Market Capitalisation
£25.1 million

Portfolio Valuation
US\$192.6 million¹
-1.5% (vs 30 June 2023)

Adjusted NAV
US\$86.1 million¹

Adjusted NAV per share
US\$1.39¹/109p²
-4.8% (vs 30 June 2023)

Share price
40.6p
-30.6% (vs 30 June 2023)

Discount to Adjusted NAV
62.8%
51.5% (as at 30 June 2023)

Cash Balance
US\$2.9 million¹

Total Debt
US\$99.4 million¹

Loan-to-Value Ratio
50.9%¹

¹ As at 30 September 2023.

² Based on a US\$/£ exchange rate of 1.273642 as at 31 December 2023.

All other data are as at 30 June 2023.

 Light installation at Macau's Winter Flower Show with the Cotai Strip in the background.

MANAGED BY  **Sniper Capital**

Portfolio

The Waterside

Since the divestment programme was initiated in mid-2022, the Company has sold 19 units – around one in three of the tower's 59 units – generating gross revenues of c.US\$52 million. Of the net proceeds, 75% has been deployed to pay down the Company's debt, while the balance has been made available for working capital. During H2 2023, the Company made loan repayments of HK\$60 million (approximately US\$7.7 million). A further debt repayment tranche of HK\$75 million is scheduled for the end of Q1 2024, which the company is aiming to meet through its ongoing divestment programme.

At the end of 2023, the occupancy rate at *The Waterside* was 50%, based on the gross floor area of the unsold units.

The Fountainside

At *The Fountainside*, four villas, three reconfigured apartments and two car-parking spaces remain available for sale. The Company is deploying several active sales and marketing strategies to divest these assets.

The three reconfigured apartments being modified from two original duplexes have been the subject of requests for additional alterations at a very late stage by Macau authorities. Upon receiving the construction licence, on-site works began at the end of November, and are expected to be completed imminently. An application for the occupancy permits will be made once the works are completed.

Penha Heights

Potential buyers' interest in *Penha Heights* has picked up since Macau's pandemic-era travel restrictions were lifted. The number of inquiries and viewings has increased, but it will take time to

identify a buyer, given the value and unique nature of the property, one of very few large, detached houses in Macau. The Company will thus explore a variety of new marketing opportunities.

Property

Macau's property sector has remained sluggish due to higher interest rates and the uneven progress of the territory's economic recovery following the worst of the COVID pandemic. Economic headwinds both globally and in mainland China have also weighed on investor sentiment.

In the residential property segment overall, 2,354 transactions were recorded during the first three quarters of 2023, a year-on-year (YoY) improvement of 9% from a 40-year low in 2022. Prices appeared to have stabilised at HK\$5,721 per square foot in Q3 2023, 1% lower than in Q3 2022. In the luxury residential segment, comprising units larger than 150 square metres, only 118 units were transacted during the first three quarters of the year, an increase of 13% YoY, while average prices in Q3 2023 declined 10% YoY.

Sentiment in the luxury segment, however, received a potential boost when Macau's government announced several measures late in Q4 to rekindle interest in property by rolling back some anti-speculation policies from January 2024. It has abolished a 5% stamp duty for transactions involving second homes, and purchasers of properties valued at MOP8 million (c.US\$1 million) or more can now enjoy 70% ceilings on mortgage loan-to-value ratios, up from 50% previously.

Amid signs of stabilisation of mainland China's property sector, ongoing efforts to stimulate the Chinese economy, and the relaxation of Macau's anti-speculation measures, the Company is cautiously optimistic that investor sentiment towards luxury residential properties in the territory will gradually improve.



Living and dining area of a duplex unit at *The Waterside*

Macau

Economy

Macau registered robust gross domestic product growth of 78% YoY during the first three quarters of 2023, and full-year 2023 growth is expected to be 75% YoY. GDP growth has been driven mainly by the recovery of the territory's twin economic engines – tourism and gaming – but businesses in other sectors, such as small and medium-sized enterprises and local retail stores, face an uphill battle to recover from the damage wrought by the pandemic. Although Moody's downgraded Macau's credit outlook from "stable" to "negative" in December 2023 – in tandem with its downgrade of mainland China's credit outlook, based on the tight institutional, economic and financial linkages between the territory and the mainland – its assessment appears to be at variance with Macau's overall pace of economic recovery.

*The Company's
focus will remain on
the divestment of
its portfolio*

Tourism and gaming

Total tourist arrivals during 2023 were around 28 million, translating to a daily average of 77,000 visitors, approximately 72% of Macau's pre-pandemic peak. International visitor arrivals also recovered steadily, from 1,000 arrivals daily in January to more than 7,000 in December, which is 90% of the pre-pandemic peak. Hotel occupancy recovered to an average of 81% during the first 11 months of the year, albeit remaining short of the 91% rate for the same period in 2019. Visitor spending (excluding gaming) surpassed 2019 levels, with per-capita spending of MOP2,612 during the first nine months of 2023, 65% higher than in 2019. The extension of the Barra-Taipa Light Rail Transit ushers in a new era of transportation for the city, greatly improving access between the Macau Peninsula and Taipa.

Gross gaming revenue (GGR) for 2023 stood at MOP183 billion (US\$22.68 billion), approximately 62% of 2019 levels. It exceeded the MOP180 billion threshold that obliges gaming concessionaires to make additional commitments of up to 20% to non-gaming and overseas marketing spend.



The new Barra Station extended Light Rail's connectivity from Taipa to Macau.

Morgan Stanley predicts that Macau's 2024 full-year GGR will grow 24% YoY to approximately 80% of 2019's level.

Outlook

The International Monetary Fund has forecast Macau's GDP to grow by 27% in 2024, reflecting the general health of the territory's economy. In addition to recent government measures to boost the property market, indications from the US Federal Reserve are that US interest rate hikes are on pause amid a market consensus that lower rates may be on the horizon. This could provide a much-needed boost to the market as Macau's interest rates are set with reference to US rates. Any consequent easing of the Company's debt service levels alongside a recovery in investment sentiment will provide a boost to the Company's bottom line and ultimately benefit its shareholders.

The Company's focus will remain on the divestment of its portfolio and implementing its debt reduction strategy. We will also look to capitalise on any emerging divestment opportunities that may arise amid improved investor sentiment.

We thank our shareholders for supporting the continuation of the Company at the Annual General Meeting in December. We recognise that although the reduction of debt is necessary, as is the careful management of our divestment programme, the return of capital is our single most important objective, upon which all our efforts are focused.



FURTHER INFORMATION

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Stock Code
London Stock Exchange: MPO

LEI:
213800NOAO11OWIMLR72

About The Company

Premium listed on the London Stock Exchange, 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 leading gaming market and the only city in China where gaming is legalised.

Launched in 2006, the Company targets strategic property investment and development opportunities in Macau. Its current portfolio comprises prime residential property assets.

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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