




 Macau Property Opportunities Fund

INVESTOR UPDATE

H1/2024

The Company secured further sales at *The Waterside* during the past six months, bringing the total number of units sold to 24, or 40% of the tower's stock. All debt obligations due in the first half have been met. The Macau government's abolition of real estate anti-speculation measures has been met positively by industry players, however, this policy adjustment will take time to have a meaningful impact on the luxury residential property segment.

KEY DATA

Inception Date	5 June 2006
Exchange	London Stock Exchange
Domicile	Guernsey
Market Capitalisation	£22 million
Portfolio Valuation	US\$173.6 million¹ -2.7% (vs 31 December 2023)
Adjusted NAV	US\$75.3 million¹
Adjusted NAV per share	US\$1.22¹/96p² -7.8% (vs 31 December 2023)
Share price	35.6p -12.3% (vs 31 December 2023)
Discount to Adjusted NAV	63% 62.8% (as at 31 December 2023)
Cash Balance	US\$1.4 million¹
Total Debt	US\$89 million¹
Loan-to-Value Ratio	50.8%¹

¹ As at 31 March 2024.
² Based on a US\$/£ exchange rate of 1.264679 as at 30 June 2024.

All other data are as at 30 June 2024.


 Dragon Boat races on Nam Van Lake overlooking One Central Residences
 Source: MGTO

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Portfolio

The Waterside

The Company sold five units at *The Waterside* – four standard units and a duplex – during the period for a total gross value of US\$15.4 million. A total of 24 units among the tower's 59 units have now been sold since the divestment programme began, generating gross sales proceeds of approximately US\$67.1 million. Sales of several other units are in early-stage negotiations.

The Company has applied 75% of the recent sales proceeds towards repaying a HK\$75 million tranche that was due in March 2024, as well as other upcoming debt repayment obligations. The Company's outstanding debt is expected to be reduced from US\$96.5 million as of December to US\$79 million in July while loan-to-value (LTV) ratio is estimated to drop to approximately 47.4% using 31 March 2024 valuations.

With more than 40% of available units at *The Waterside* sold, the Company has terminated the leasing programme at the development as it focuses on divesting the remaining units. At the end of H1 2024, the occupancy rate at *The Waterside* stood at 65%, based on the building's leasable area.

The Fountainside

At *The Fountainside*, four villas, three reconfigured apartments and two car-parking spaces remain available for sale. The three reconfigured apartments were modified from two original duplexes, and although the renovation was completed in 2022, Macau authorities requested additional alterations at a very late stage, following which additional on-site works began in late 2023 and were completed in Q1 2024. The alterations are currently under inspection by the authorities pending the issuance of occupancy permits. The Company is deploying numerous sales and marketing strategies to divest the remaining assets at *The Fountainside*.

Penha Heights

Penha Heights, positioned atop the exclusive and historic Penha Hill, offers world-class views. While the number of inquiries and viewings increased in the first half of the year, they remain limited, and identifying the right buyer will take time given the property's high value and unique nature as a rare large, detached mansion in Macau. The Company has been exploring various marketing avenues, including hosting high-end events in collaboration with exclusive brands to showcase

Macau's decade-long real estate anti-speculation policies have been abolished

the property to ultra-high-net-worth individuals. The Manager will further enhance marketing efforts in the second half of the year to capitalise on an anticipated recovery in market sentiment.

Property

In April, Macau's government announced unprecedented property market relaxation measures that reversed its decade-old anti-speculation policies. These measures, which followed a similar move by the Hong Kong government in February, included removing prevailing special stamp duty requirements and improving the LTV ratio ceiling for mortgage loans for foreign buyers from approximately 40% to 70%. Among the prohibitive measures removed were:

- Stamp duty levied on properties resold within 24 months after purchase;
- An extra 10% duty imposed on foreign buyers;
- A 5% extra duty on additional ownership.

Macau's rollback of its anti-speculation measures has rekindled buyer interest in the local property market, with developers seizing the opportunity to offload inventory, albeit at generous discounts. In the secondary market, it is too early to see a rise in demand, as the focus is currently on developer inventory. However, we expect to see a near-term increase in interest among foreign buyers and a corresponding rise in transactions, with prices recovering over the longer term.

Macau's overall residential property liquidity and price indices have trended downward since 2020. Although the number of transactions stabilised to 2,879 units in 2023 on a year on year (YoY) basis, it remained down by around 65% from 2019. In Q1 2024, the property market saw only 573 transactions, a YoY drop of 32%. Transaction prices also dropped by 3.8% between 2022 and 2023, a trend that continued in Q1 2024 with a further decline of some 9% YoY. In the luxury residential segment, in which the Company operates, only 43 units larger than 150 square metres were transacted in Q1 2024, a YoY drop of 10%.

Macau

Economy

Overall, Macau's economy has enjoyed a robust recovery following the COVID-19 pandemic. In 2023, it expanded 80.5% YoY to approximately 80% of its 2019 pre-pandemic size. This positive trend continued into Q1 2024, with GDP growing by 25.7% YoY, achieving 87% of pre-pandemic levels. This growth has been driven mainly by the territory's twin economic engines – tourism and gaming. However, other sectors that have not benefited from spillover from these two growth drivers – such as small and medium-sized enterprises and local retail stores – have struggled to recover from the impact of the pandemic.

Tourism and gaming

Macau's visitor arrivals for 2024 continued to show strong growth with close over 14 million arrivals as of end-May, which was 50% higher YoY and c.83% of Q1 2019's figures. Mainland Chinese continued to account for the vast majority of visitors, making up 70% of the total. Travellers from outside Greater China accounted for almost 7% of all visitors, approximately 67% of 2019's pre-pandemic level.

Peak period tourist arrivals were mixed, with Chinese New Year visitor numbers exceeding expectations to reach 99% of 2019's levels. However, May Golden Week arrivals were affected by inclement weather, with rainfall and flooding across Hong Kong and southern China. Visitor arrivals during the holidays were approximately 8% below the numbers forecast by the Macao Government Tourism Office.

In H1 2024, eight cities were added to the list of locations from which mainland Chinese residents can apply for Individual Visit Scheme (IVS) exit visas to travel to Macau, taking the number of IVS-eligible cities to 59.

By the end of 2023, Macau had recaptured its lead over Las Vegas as the world's biggest gaming hub, regaining ground lost during the pandemic. Gross gaming revenue (GGR) for the period January to June 2024 stood at MOP113.8 billion (US\$14.2 billion), approximately 76% of its 2019 level. Notably, casino operator MGM China reported triple-digit net revenue growth in Q1 quarterly announcements compared to its pre-COVID revenue.

Outlook

Macau's economic outlook remains positive, with GDP growth projections for full-year 2024 ranging from 14% to 17%. This corresponds to approximately 90-95% of the 2019 level, placing the territory's economy on a trajectory to reach its pre-pandemic size by 2025.

Although 2024 remains challenging, Macau's tourism and gaming sectors are performing strongly, and investor sentiment is increasingly positive. We believe sentiment and pricing in the residential property market will gradually start to reflect these trends following the recent property market policy easing. The Company remains committed to continuing its divestment programme to meet its debt repayment schedule and return capital to shareholders.



A simplex unit living room at *The Waterside*



FURTHER INFORMATION

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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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