



 Sniper Macau Heritage Properties III

INVESTOR UPDATE

H2/2019

Macau's new Chief Executive was sworn in on 20 December, expressing a determination to diversify the territory's economy. Visitor arrivals to Macau hit a record high in 2019. The Light Rapid Transit system's Taipa Phase opened in December, and Taipa Village is poised to benefit from the direct link to Cotai and other attractions via this new infrastructure asset. The Company continues to make progress on developing the two sites.

¹ Estimated GFA of completed projects.

All data are based on unaudited financial statements as at 31 December 2019, unless otherwise stated.

 Photo caption.

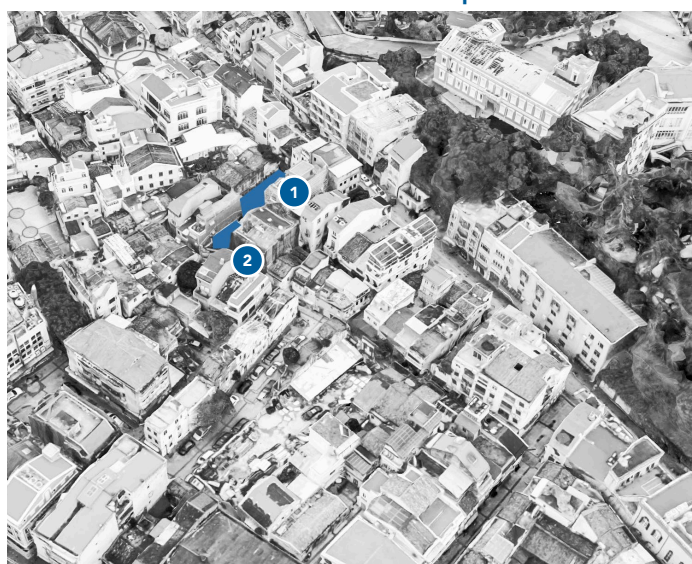
Portfolio

The two properties in the portfolio are development sites that we intend to transform into F&B and retail premises.

Portfolio Status

Property details	Gross floor area (sq ft)	Status
1 Development (Retail/F&B)	1,916	Revised architectural plans submitted in May 2019 approved in December; full submission expected to be made in Q1 2020.
2 Development (Retail/F&B)	980	Full submission approved in Q4; land contract executed and gazetted; construction expected to commence in Q1 2020 after receipt of construction permit.

Location of Portfolio Properties



Property 1

The revised architectural plans that we submitted to the authorities in May 2019 were approved in December. We have been expediting the preparation of the detailed design for the full submission. That design is nearing completion, and we expect to file the full submission in Q1 2020. In the meantime, we have also concluded site investigation works as part of our efforts to complete as many of the prerequisites for starting development work as possible. According to our current schedule, we expect to start on-site works in Q2 2020.

Property 2

A full submission was made in April 2019, for which we received approval in Q4. In the meantime, the land contract was also executed and gazetted by the authorities. In preparation for starting construction, we completed a tender process for construction work in November and appointed the main contractor in early December. Also in December, we applied for a construction permit to

commence work. We expect construction to commence in Q1 2020 for an estimated period of 14 months.

Financial Results

The value of the Company's portfolio remained stable at US\$23.6 million as of 31 December 2019. With total bank borrowings of US\$10.2 million, our loan-to-value ratio was 43%. Unaudited net asset value was US\$10.8 million, or US\$739.89 per share, a decline of 6.7% over the six-month period, and a 26% decrease since the fund's inception.

The Company's portfolio value remained stable at US\$23.6 million.

Destination Creation

Our marketing efforts are continuing to draw an increasing number of visitors to Taipa Village through promotional campaigns run under our now well-established brand concept "Taipa Village – Authentic Macau".

In H2 2019, Taipa Village Art Space featured local Macau artist Un Chi Wai's first solo exhibition, entitled "What Are You Thinking?". The exhibition showcased the artist's illustrations from a self-published children's book.

Christmas at Taipa Village featured the "My Merry X'Mas! Taipa Village Christmas Fair", a month-long pop-up festive event held in partnership with the Mandarin Oriental Macau and presented at Taipa Village Art Space. The pop-up promoted the best of Macau's cultural and creative industries, ranging from food to handicrafts to locally produced gift items. Interactive activities were also set up to attract visitors to the Christmas store.



Photo caption

Macau

Optimism grew at the end of 2019

Macau's economy shrank by 3.5% in real terms between January and September, marking three consecutive quarters of decline. In Q3 2019, GDP contracted 4.5% year on year (YoY) due to a larger decline in exports of services. For FY2019, Fitch Ratings expects Macau's economy to contract by 2.5%.

The fourth quarter was more positive, with the US and China reaching Phase 1 of a trade agreement to hold their trade war in abeyance.

China also announced new measures to act as catalysts for the diversification of Macau's economy and the transformation of the territory into a tourism and finance hub integrated into the Greater Bay Area. Those measures included providing support to Macau banks to set up branches on the Chinese mainland and allowing mainland insurance funds to invest in Macau.

The initiatives address issues highlighted by Macau's new Chief Executive, Mr Ho Iat Seng, which are related to reducing the territory's dependence on gaming and its increased integration with the mainland Chinese economy as key measures underpinning a more sustainable future.

GGR declined this year, but improvement expected from 2020

In H2 2019, gross gaming revenue (GGR) fell 6.3% YoY, led by a continued contraction in the VIP segment, which shrank 23% YoY during the period, offsetting growth of 13% in the mass-market segment.

For full-year 2019, GGR fell 3.4% to US\$36.5 billion (MOP 292 billion). GGR forecasts for 2020 have been cautious, with Morgan Stanley forecasting growth of 2% YoY, while Goldman Sachs sees GGR growing 9% YoY, with 3% VIP and 13% mass-market growth.



Light Rapid Transit began operations on 10 December 2019.

Macau's tourism sector continues to grow

Visitor arrivals to Macau totalled more than 39.4 million for the year, an increase of around 10% YoY, while the average length of stay among visitors remained stable at 1.2 days. During the first 11 months of the year, the average lodging occupancy rate remained stable at 90.7%, with a total of 38,000 rooms at 121 hotels and guesthouses as of the end of November.

The meetings, incentives, conferences and events (MICE) sector also showed active growth. In the first three quarters of 2019, 1,075 MICE events were held, an increase of 109 YoY.



The Hong Kong-Zhuhai-Macau Bridge marked its first anniversary in October 2019.

Improving connectivity in the Greater Bay Area, within Macau

The Hong Kong-Zhuhai-Macau Bridge marked its first anniversary in October. As a major gateway for tourists from Guangdong Province, it is credited with being a key enabler of Macau's double-digit jump in visitor arrivals in 2019.

Construction work at the new Hengqin Port has been completed, and port operations are expected to commence in Q1 2020. The port streamlines immigration and customs clearance between Hengqin and Cotai as it accommodates immigration and customs checkpoints for both mainland China and Macau. It is also linked to the upcoming Zhuhai Airport Urban Rail Transit, which will connect the Gongbei Border to Hengqin, providing more options for travel between Macau and Zhuhai.

Macau's LRT began operations on 10 December. The LRT system is 9.3km long and has 11 stations, linking gaming properties in Cotai with Taipa, Macau's airport and various other points of interest. Taipa Village has a station at its entrance and stands to benefit greatly from the LRT.

Property

Retail sales volumes and the retail property market overall have been negatively affected by the triple-whammy of the US-China trade war, a slowing mainland Chinese economy, and a weakened yuan. During the first three quarters of 2019, the total value of retail sales dipped 0.9% YoY to US\$7 billion (MOP56.4 billion) despite sharp growth in visitor arrivals to Macau.

Leasing and sales transactions in Taipa district in H2 2019

Leasing			
Property	Gross floor area (sq ft)	Rent per month (HK\$)	Rent per sq ft per month (HK\$)
Estr. Gov. Nobre de Carvalho	457	27,000	59
R. de Tai Lin	1,191	68,000	57
Estr. Gov. Albano de Oliveira	473	21,000	44
Estr. Gov. Nobre de Carvalho	766	30,000	39
Estr. Nordeste da Taipa	7,264	86,000	12
R. de Bragança	1,190	73,000	61
Estr. Gov. Albano de Oliveira	550	32,000	58
R. de Nam Keng	2,940	180,000	61

Sales			
Property	Gross floor area (sq ft)	Price (HK\$)	Price per sq ft (HK\$)
R. de Viseu	586	10,000,000	17,065
R. do Regedor	275	16,800,000	61,091

The retail property market, which got off to a slow start this year, remained subdued in H2 2019. During the first 11 months of the year, a total of 422 retail premises were transacted, down 29% YoY. The corresponding transaction value was US\$656 million (MOP5.3 billion), 43% lower YoY.

Taipa Village nevertheless continued to demonstrate resilience. Although sales of retail properties were quiet, a 275 sq ft shop was recently transacted for HK\$16,800,000 (HK\$61,091 per sq ft). Leasing of properties in Taipa Village remained active, and F&B outlets continued to perform well. We expect the LRT to boost visitation to the area in the coming months as it improves connectivity throughout Cotai and Taipa.

Outlook

Macau's subdued economic environment is expected to persist into 2020, with Fitch Ratings forecasting flat GDP growth. GGR is expected to return to growth in 2020, with analysts forecasting a modest expansion of 2% - 9% YoY.

We expect more clarity on renewals of casino licences once the new government gives its first policy address in April 2020, which may provide the impetus for casino operators to move full steam ahead with their expansion pipelines.

Efforts to boost Macau's standing as an international tourism hub and investment destination will improve the performance of the retail sector.

There are additional positives in growing visitor arrivals and efforts by the mainland Chinese government to put in place building blocks to diversify Macau's economy away from gaming. Improving connectivity within the Greater Bay Area will also support tourism and trade. Efforts to boost Macau's standing as an international tourism hub and investment destination will improve the performance of the territory's retail sector, driving up rents and the values of retail properties, and benefit our portfolio in Taipa Village.

FURTHER INFORMATION

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About The Company

Sniper Macau Heritage Properties III Limited is a private property investment company that aims to generate capital growth and income from a portfolio of commercial properties located in Taipa Village, a historic and increasingly popular lifestyle destination in Macau.

About Sniper Capital Limited

The Company is managed by Sniper Capital Limited, an Asia-based property investment manager with a strong track record in fund management and investment advisory.

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