

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own personal advice from an appropriately qualified independent adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent adviser if you are in territory outside the United Kingdom.**

**If you have sold or otherwise transferred all of your Shares in Macau Property Opportunities Fund Limited, please forward this document (but not the accompanying personalised Form of Proxy) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.**



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Directors

Mark Huntley  
Alan Clifton  
Wilfred Woo

Registered Office

PO Box 286  
Floor 2, Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 4LY

2 December 2021

Dear Shareholder,

### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

In our Annual Report and Accounts for the Year Ended 30 June 2021 (“the Annual Report”), the Board reported on the disposals achieved during what was a difficult year and also noted how the overall divestment timetable was being adversely impacted by the COVID-19 pandemic. The Board noted it would be putting forward a vote to be held to continue the life of the Company by one year to facilitate the orderly divestment of the remaining assets. This letter provides more detail for shareholders and should be read in conjunction with the Notice and Agenda for the Annual General Meeting to be held on 22 December 2021.

In accordance with the Company’s Articles of Incorporation (the “**Articles**”), the Company has opted to make documents available to shareholders via publication on the Company website <https://mpofund.com/> rather than sending hard copies.

To that end, please be advised that the Annual Report and Audited Financial Statements to 30 June 2021 are available on the Company’s website:

<https://mpofund.com/investors/publications/financial-results/>

Should you wish to receive a hard copy, please contact the Company Secretary at the Registered Office noted below:

Ocorian Administration (Guernsey) Limited  
PO Box 286, Floor 2, Trafalgar Court,  
Les Banques,  
St Peter Port,  
Guernsey,  
GY1 4LY.

### **Market Update**

Until recently, Macau had managed the public health aspects of COVID-19 well. The total number of infections in Macau to date stands at 77 – the vast majority of which were imported. Since the beginning of the pandemic, Macau has suffered no COVID-19 deaths.

This public health success story has come at a considerable cost to Macau’s economy due to its zero-tolerance approach to COVID. In order to battle the recent waves of outbreaks in the territory, the government implemented measures including closure of certain venues, conducting three rounds of mass testing of all residents and tightening travel restrictions. The consequence of the economic impact has seen

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Registration Number 44813

Authorised by the Guernsey Financial Services Commission as a closed-ended collective investment scheme

The International Monetary Fund revise down its forecast for Macau's 2021 economic growth to 20.4%, from the previous forecast of 61%. During the first three quarters of the year, Macau's GDP increased by 27.5% YoY.

On the tourism front, the long-anticipated recovery during the October Golden Week underperformed expectations due to the tightened border measures between Zhuhai and Macau. Nevertheless, visitor numbers rebounded quickly as the COVID situation stabilised. During the first 10 months of the year, Macau welcomed a total of 6.1 million visitors, up 32% YoY but remained well below pre-COVID level.

Gross gaming revenue (GGR) in October declined by 40% YoY to approximately c.US\$540 million, the worst month in the year to date. For the first 10 months of the year, GGR increased by 57% YoY to c.US\$9 billion. Morgan Stanley now expects Macau's GGR to return to 33% of the level seen in 2019, down from its previous forecast of 45% of the 2019 total. It remains to be seen what further revisions may be made to these forecasts as a result of the recent further clampdown on Macau's VIP junket operations.

More recently, there has been renewed optimism in anticipation of the imminent reopening of borders between mainland China and Hong Kong. A team of mainland experts conducted a visit to Hong Kong to inspect local institutions and COVID facilities in November. A potential China-Hong Kong reopening is expected to also be applicable to Macau, which is likely to have a positive impact on sentiment and should help Macau's economic recovery. The equalization of strict international border and quarantine policies across Macau, Hong Kong and China should facilitate the resumption of visitor flow between the three jurisdictions, and help insulate them from new overseas variants. Any new COVID infections within the Macau, Hong Kong, China bubble, however, will put a temporary brake on movement, as lockdowns, mass testing and quarantine policies will continue to be enforced. The Hong Kong government has announced that they did not expect the Omicron variant would affect the Hong Kong and China travel bubble.

Against this backdrop, it remains impossible to secure an en-bloc sale of the remaining assets or The Waterside at acceptable valuations and therefore the Manager has proposed and the Board have carefully considered adopting a strata sales strategy of the units in The Waterside. The Board believes it in the best interest of Shareholders to grant an extension of the Company and to adopt the proposed strata sale programme in order to meet the objective of completing the orderly divestment of the remaining assets and return of capital to Shareholders.

At the same time this will allow the reconfiguration of the units at The Fountainside to be completed, and for these and Penha Heights to all be marketing for sale after Chinese New Year (February 2022) when market sentiment is expected to improve, creating a more favourable market for achieving disposals.

### **Extension to the life of the Company**

Despite some success with sales of US\$16 million worth of smaller units divested in the past two years, the impact of the COVID-19 pandemic has presented significant challenges in securing an en-bloc sale of The Waterside.

The Manager has completed a number of extensive exercises to seek investor interest in the whole portfolio and during 2021 engaged advisors Hodes Weill to reach out to prospects that were not accessible previously, particularly in the global secondary investor universe. Feedback received concluded that a portfolio sale under the current market conditions would only be possible by taking a significant discount on the valuation.

The current market environment no longer favours an en-bloc disposal of The Waterside to institutional investors, but it does create opportunities for strata unit sales of individual units at smaller lump sum values to smaller investors and individuals.

It is inevitable that returns from sales of properties would be significantly lower if the Company was forced to sell as a result of a discontinuation vote. A continuation would allow time for the orderly divestment of assets into a market with recovering sentiment and it is therefore the Board's view that the commercially sensible option is for the Company to continue for a further year.

### **Management Fees**

The Board and the Manager are discussing a change to the fee arrangements to reflect the move to strata sale and the associated management functions. It is expected that there will be a fixed monthly management fee to support the Manager's operational costs and a revised realisation fee. The additional extra incentive fee is expected to be removed. Any such fees will be conditional on a vote for continuation of the Company and also regulatory consents.

### **Retirement of Wilfred Woo**

Wilfred Woo will retire as a Director of the Company with effect from the date of the Annual General Meeting on 22 December 2021. The Board and the Manager would like to extend thanks to Mr Woo for his insight and contribution to the Company during his many years of service.

The Board are in the process of identifying a new independent Director to join the Board of Directors of the Company. Any appointment is expected to take place after the AGM.

### **Appointment of Statutory Auditors**

Following the conclusion of a formal competitive tender process, the Board is pleased to announce the intended appointment of Deloitte LLP ("**Deloitte**") as its external auditor to the Company, replacing Ernst & Young LLP ("**EY**") after ten years' service.

### **Additional Information**

Within this letter is the Notice of AGM together with explanatory notes (including voting procedures) and enclosed separately is the form of proxy for you to use for the AGM.

Yours faithfully,



MARK HUNTLEY  
CHAIRMAN

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