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**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  
Carmen Ling

*Registered Office*

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

24 November 2022

Dear Shareholder,

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

In our Annual report and Accounts for the Year Ended 30 June 2022 ("the Annual Report"), the Board reported on the disposals achieved during what was an exceptionally difficult year and noted how the overall divestment timetable continued to be adversely impacted by the restrictions affecting Macau amid the COVID-19 pandemic.

The Board explained that it would be advising that a vote be held recommending continuation of the life of the Company for one further year to facilitate the orderly divestment of its 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 13 December 2022.

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

To that end, please be advised that the Annual Report is 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 below:

Ocorian Administration (Guernsey) Limited  
PO Box 286, Floor 2, Trafalgar Court,  
Les Banques,  
St Peter Port,  
Guernsey,  
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## Market Update

The Macau government's decisive action under its zero-COVID policy – complemented by a high vaccination rate across the whole population – has kept COVID-19 infections under control in the territory. However, that same policy has also created considerable uncertainty regarding Macau's economic position and outlook. Fundamental to Macau's COVID response is the need to remain in lockstep with mainland China's approach to COVID, in order to keep its borders open to mainland visitors who, at present, continue to be the lifeblood of its economy.

The caution embodied by Macau's zero-COVID measures was demonstrated when the territory's most severe COVID-19 outbreak to date was detected in mid-June. With total COVID case numbers surging from 83 to more than 1,800 in a month-and-a-half, the government responded swiftly with mass testing, quarantine measures and a 12-days lockdown in July. Coupled with travel restrictions imposed in response to COVID flare-ups across mainland China since Q3 2021, the resulting economic downturn caused Macau's GDP for the first nine months of 2022 to shrink 27.8% year on year (YoY).

On the tourism front, Macau welcomed a total of 4.4 million visitors during the first nine months of 2022, down 24% YoY. However, a long-anticipated recovery during the October "Golden Week" holiday outperformed expectations, with an average daily volume of around 26,000 inbound visitors during the seven-day period, and the Macau Grand Prix in November attracted 76,000 spectators, substantially more than in 2021.

More recently, there has been renewed optimism amid the resumption of package tours and the Individual Visit Scheme's eVisa issuance for mainland Chinese visitors to Macau. After a hiatus of almost three years, the first phase commenced in November, involving the city of Shanghai and four provinces including neighbouring Guangdong Province, with its population of more than 120 million people. In addition, overseas visitors from 41 countries were permitted to enter Macau from September 2022, albeit subject to a quarantine period. Notably, the quarantine period for international arrivals has been reduced from seven days to five upon entering either Macau or mainland China, representing a continued easing of COVID control measures. In 2021, the quarantine period had been as high as three weeks.

For the first 10 months of the year, Macau's gross gaming revenue (GGR) fell 51% YoY to approximately US\$4.4 billion and 2022 GGR is on track to achieve just 15% of the pre-pandemic level seen in 2019. Looking ahead to 2023, GGR is forecast to recover to c.US\$16 billion, 43% of the 2019 level and accelerate further in 2024, reaching c.US\$25.6 billion or 70% of its pre-pandemic level. While the outlook for the territory in the near term remains challenging, as COVID policies continue to affect investor sentiment and potential buyers' propensity to make substantial investments such as property purchases, any such recovery in GGR would likely have a direct positive impact on property market sentiment, leading to a recovery in residential real estate values, therefore aiding the Company's divestment programme. Notwithstanding mainland China's recent response to a nationwide COVID outbreak – over 20,000 daily cases in the last week of November – and the impact this may have on Macau visitor numbers, the Board and the Manager are of the view that the situation in China and therefore Macau, will improve slowly but surely during 2023.

## Divestment Updates

In 2021, it has remained challenging to secure an en-bloc or partial en-bloc sale of *The Waterside*, and, in light of this, the divestment strategy was expanded in early 2022 to include strata sales, leading to the successful divestment of five units. The Company utilised US\$14 million from the sales proceeds for loan repayments and earmarked the balance for working capital. The lender of *The Waterside* loan facility has also extended a new tranche of US\$6.4 million to partly refinance an US\$18.3 million repayment that was due for settlement in September, resulting in the overall portfolio's loan-to-value (LTV) ratio improving to 50.8%.

It was also agreed that 75% of the proceeds of upcoming sales would be applied towards loan principal and interest prepayment, with the balance to be released for the Company's working capital requirements. The prepayment ratio will be reduced to 70% if the LTV ratio of *The Waterside* equals or falls below 50% after the prepayment.

The completed divestment of an initial five of 59 units at *The Waterside* represent a notable achievement and an important step in our divestment strategy. The average transaction price of the 5 units was at a 6% discount to the average valuation of the *Waterside* as at 30 June 2022 but represented a 74% increase against costs. Since October, a new sales programme featuring an additional five units has been launched, generating positive feedback among potential buyers.

Occupancy permits for three reconfigured smaller units at *The Fountainside* are expected by the end of Q1 2023 – a slight delay of a few months caused by Macau's complex approval process – clearing the way for sales.

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

Despite the successful recent divestment of five units at The Waterside, it is likely that returns from sales of properties would be significantly lower if the Company were forced to accelerate the sales process as a result of a discontinuation vote. A continuation allows time for the continued orderly divestment of assets into a market in which sentiment is slowly recovering. It is therefore the Board's view that the commercially sensible option is that the Company continue for a further year. The alternative of a forced sale of assets would, in the opinion of the Board and the Manager, produce a significantly lower return, demonstrated in part in distressed sales by individuals affected by the clampdown on junket operators.

**The Board believes it to be in the best interests of Shareholders to grant an extension of the life of the Company in order to continue the carefully considered sales programme and meet the objective of completing the orderly divestment of the remaining assets and the return of capital to Shareholders.**

### **Corporate Governance and Management Fees**

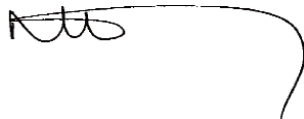
We are pleased to report the appointment of Carmen Ling to the Board. Ms Ling's deep insight into the region, especially in respect of debt management, has supported our engagement with lenders. Moreover, Alan Clifton, whilst exceeding the normal tenure, will continue to serve as a director of the Company, and we greatly value his ongoing contribution. The appointments of Carmen Ling and Alan Clifton are subject to the Shareholders' approval at the December Annual General Meeting.

The Board and the Manager are discussing fee arrangements for calendar 2023. Any such fees will be conditional on a vote for the continuation of the Company and regulatory consents. It is expected that the fee structure will be similar to current arrangements, which include a minimal fixed monthly management fee to support the Manager's operational costs and a realisation fee, which requires disposals to be made at price levels that are above 80% of 30 September 2019 valuations. These arrangements will take into consideration the impact of projected sales and debt service, as well as working capital requirements.

### **Additional Information**

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

Yours faithfully,



MARK HUNTLEY  
CHAIRMAN  
MACAU PROPERTY OPPORTUNITIES FUND LIMITED

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