



Macau Property Opportunities Fund

Interim Report for the six-month period ended 31 December 2022

Macau Property Opportunities Fund (MPO) is a closed end investment fund and the only quoted property fund dedicated to investing in Macau, the world's leading gaming market and the only city in China where casinos are legal. Premium listed on the London Stock Exchange, the Company holds strategic property investments in Macau. Its current portfolio comprises prime residential assets that are valued at US\$224.9 million as at 31 December 2022. MPO is managed by Sniper Capital Limited, an Asia-based property investment manager with a proven track record in fund management and investment advisory.

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Chairman's Message

I present my report for the first six months of our current financial year and the second half of the calendar year 2022.

The period ended with an unexpected and broadly welcome development: the removal of all travel restrictions to Macau and within the region following a decision by Chinese authorities to end their dynamic-zero approach to COVID control. This rapid change of circumstances had not been foreseen.

Indeed, Macau was still slowly recovering from the effects of a major COVID outbreak in July that prompted citywide lockdowns and multiple rounds of mass-testing. Although the lifting of COVID control measures resulted in an “exit wave” of COVID infections across the territory, which affected the Company's operations, it has ultimately led to several very positive developments.

The border with mainland China – Macau's primary source of tourists – has fully reopened, daily ferry services to Hong Kong have recommenced, travel on the Hong Kong-Zhuhai-Macau Bridge has resumed and quarantine-free entry to the territory has been restored for visitors from foreign countries. Macau's gaming revenues have reflected this surge in visitors, notably Hong Kong residents, who had been prevented from travelling freely to the territory.

In contrast to the difficult situation that persisted for much of the period, this dramatic and much-hoped-for change will enable us to make renewed progress on our divestment strategy. However, these changes occurred so recently that a solid timeframe for divestment is difficult to anticipate.

Conditions in Macau were challenging in the lead-up to these changes, with low visitor numbers and a poor economic performance in gaming and other tourism-related revenues that saw the economy depressed further by travel restrictions and a lockdown in the third quarter. This had a huge impact on confidence, and the ongoing difficulties involved in visiting the territory hampered efforts to achieve divestment of our property portfolio.

In the high-end property segment, to which we are exposed, transaction volumes remained low. Just one unit at *The Waterside* was sold during the period, in addition to four previously reported sales. These disposals came amid the continuing negative effect of COVID restrictions and property market anti-speculation measures that affected both sentiment and pricing. It will be interesting to see whether recent events spark a rekindling of investor interest and an end to the “wait and see” approach that has become established in the market.

The recent marked rebound in visitor numbers, gross gaming revenue and the hospitality trade, which has included a significant increase in hotel occupancy, are all encouraging. However, any sense of optimism must be tempered by an awareness that the route out of any prolonged lockdown has been shown in other jurisdictions to be painful both socially and economically.

Throughout the period, our divestment process continued against this difficult backdrop, with a consistent focus on marketing more units at *The Waterside*. We have maintained a pragmatic, measured approach to market conditions, balancing our need for debt reduction and working capital with the market’s emerging upside potential.

It is pleasing to report that since the calendar year-end, the improved market sentiment has allowed the Manager to accelerate the strata sales programme at *The Waterside*, with the divestment of a further six apartments. Of these, two transactions have completed in full and security deposits have been received for the remaining four properties, with completions due over the next three months. This will bring the total number of units sold to date to 11, which represents 19% of *The Waterside's* gross floor area.

Careful management of sales has ensured ongoing upside potential for the remaining units in terms of both valuations and investor interest, driven in part by the units' size, layouts and floor height. Most sales have been on the mid- and lower levels of the tower, leaving the more valuable higher floor apartments available and the Company well placed to benefit from any market upswing and price strengthening. It is important to note, however, that a recovery in economic conditions may take time to percolate through to our segment of the property market.

Occupancy at *The Waterside* had improved to a level of 32% at the end of the period, and some long-term tenants may also have an interest in purchasing units.

There have been delays to approvals for the reconfigured units at *The Fountainside*, partly due to the impact of Macau's COVID exit wave. A long-awaited inspection has now been completed, but pre-sale initiatives will commence only once the final permits are successfully confirmed. *The Fountainside's* larger villas remain an ongoing sales focus, but the likely improvement in the economy will need to prove robust to deliver satisfactory divestments.

For *Penha Heights*, the restored ability of overseas buyers to visit Macau improves the prospects of divestment, but further lead time will be required.

Financial Performance

As at 31 December 2022, the Company's unaudited adjusted net Asset Value (NAV) was US\$99.5 million. This is equivalent to US\$1.61 (133 pence*) per share and represents a decline of 3.8% over the period.

MPO's share price recovered by 37% since 30 June 2022 to 52.25 pence at the end of 2022, which represents a 61% discount to its adjusted NAV per share.

Cash management and debt reduction remain a key priority of the Company, with rising interest rates increasing what was already our largest expense. As more fully explained in Note 6 of the financial statements, the Company repaid US\$14 million of bank loans during the period. This reduced gross borrowings to US\$117.2 million and lowered the overall loan-to-value ratio from 53.3% to 51.6% as at 31 December 2022. This is estimated to fall further to 50.2% following the completion of the Company's latest six divestments.

The Company's consolidated cash balance, including deposits pledged for banking facilities, was US\$2.3 million, of which US\$1.9 million represented a 6 month interest reserve, pledged and classified as a non-current asset. The majority of the balance of US\$0.4 million represents deposits on contracted sales and usage of which remains subject to the prior consent of the lender.

MPO's free cash situation has improved since the period end as a result of further sales which will generate incremental cash proceeds of US\$14.6m.

* Based on the following US Dollar/Sterling exchange rates 1.210 on 31 December 2022 and 1.212 on 30 June 2022.

Outcome of Annual General Meeting

At our Annual General Meeting (AGM) in December, shareholders approved an extension to the life of the Company for a further year until 31 December 2023. The Board and the Manager greatly appreciate the overwhelming support shown for allowing the Company to continue with the orderly liquidation of its remaining assets.

As a consequence of the approval, and as prefaced in the update that accompanied the notice of the AGM, the management agreement between the Company and Sniper Capital has been extended for a further year on terms similar to those that applied in 2022. In all respects the fees remain consistent with the arrangements of the previous year, and aim to contribute towards the Manager's operating costs. This is an essential step in terms of accelerating the pace of our divestment programme after an exceedingly challenging 2022.

Corporate Governance

The Board continued to function well during the period, with increased interaction required between scheduled board meetings to ensure oversight and control of the sales process and ongoing management of our loan facilities. We remained vigilant in respect of our environmental, social and governance through this difficult period, and it remains an important component of the many challenges we must work through in the current circumstances.

Outlook

In presenting this report, it is difficult to avoid communicating anything but a more optimistic view for the second half of our financial year.

While inflationary pressures, including labour and other shortages, are already mounting - albeit from a muted level when compared to other jurisdictions - the dramatic effects of the easing of COVID-related restrictions can only benefit the outlook for Macau, leading to a more supportive environment for the Company. Maintaining caution seems sensible in the circumstances, but amid further sales and an improved operating environment, writing this report has been a much more encouraging experience than in recent years.

As stated, we will continue to do all that is practically possible to achieve further sales and to reduce debt levels related to our assets. This will lower our operating costs as we work towards delivering the upside potential we see in our remaining properties.

MARK HUNTLEY

CHAIRMAN

MACAU PROPERTY OPPORTUNITIES FUND LIMITED

23 February 2023

Manager's Report

FINANCIAL OVERVIEW

	31 December 2022	30 June 2022
NAV (IFRS) (US\$ million)	73.6	77.6
NAV per share (IFRS) (US\$)	1.19	1.25
Adjusted NAV (US\$ million)	99.5	103.4
Adjusted NAV per share (US\$)	1.61	1.67
Adjusted NAV per share (pence) ¹	133	138
Share price (pence)	52.25	38.2
Share price discount to Adjusted NAV per share (%)	60.7%	72.3%
Portfolio valuation (US\$ million)	224.9	242.0
Loan-to-value ratio (%)	51.6%	53.3%

¹ Based on the following US Dollar/Sterling exchange rates 1.210 on 31 December 2022 and 1.212 on 30 June 2022.

FINANCIAL REVIEW

Macau's economy came under severe pressure in the second half of 2022 as the territory waged a dynamic zero-COVID war against the highly transmissible Omicron variant of the virus. A large-scale summer outbreak — the first since the start of the pandemic — brought the city to a standstill as almost all non-essential activity, including gaming, was shut down.

Macau's twin economic engines — gaming and tourism — bore the brunt of these measures as potential visitors were deterred by travel restrictions and the fear of being unexpectedly locked down. The already weak property sector suffered further headwinds as the territory recorded one of the worst periods of economic turbulence in its history.

Under these challenging conditions, the Company's strata sales programme at *The Waterside* made slow progress in the second half of 2022, with the sale of only one unit in addition to the four already reported, while marketing efforts for *The Fountainside* and *Penha Heights* remained hampered by fragile sentiment and restricted access to Macau for most of the period.

However, in tandem with mainland China, Macau dramatically and swiftly announced a complete reversal of its almost three-year-long zero-COVID strategy in December. The rapid and complete reopening led to an immediate increase in enquiries into real estate in the territory, resulting in the agreed sale post the period end, of a further six units at *The Waterside* for a combined USD14.6m. While encouraging, achieving further near-term asset disposals will remain heavily dependent on a sustained rebound in Macau's vulnerable, tourism-dependent, economy.

Half-year financial results

The value of MPO's portfolio, which comprises three main assets, was US\$224.9 million as at 31 December 2022. On a like-for-like comparison, taking account of disposals, the valuation has increased by 1.4% over the six-month period.

Adjusted Net Asset Value (NAV) was US\$99.5million, which translates to US\$1.61 (133 pence) per share, a drop of 3.8% over the period. IFRS NAV was US\$73.6 million as of the period's end, equating to US\$1.19 (98 pence) per share, a decline of 5.1%. The cost of debt servicing was a primary factor behind the decline.

As at 31 December 2022, MPO's share price was 52.25 pence, representing a 60.7% discount to its Adjusted NAV per share.

Capital management

As at 31 December 2022, MPO had total assets worth US\$201.4 million, offsetting combined liabilities of US\$127.7 million. The Company's consolidated cash balance was US\$2.3 million, of which US\$1.9 million was pledged as collateral for credit facilities. Gross borrowing stood at US\$117.2 million, equating to a loan-to-value (LTV) ratio of 51.6 %

Subsequent to the period end, the Company secured sales of six units located at *The Waterside* which generated US\$14.6 million in total sales proceeds. Approximately US\$11 million of this amount (75%) has been designated for loan repayments as per the terms of the facility agreement; and will fully cover the two upcoming repayment tranches on 19 March and 19 June 2023.

The above-mentioned loan repayments will result in the Company's total bank borrowings falling to US\$106.3 million, leading to an improved LTV of 50.2%.

As the Company endeavours to advance its divestment plan, we will remain focused on cash and capital management to strengthen the balance sheet and operating cash flow. We remain concentrated on containing costs, with debt facilities reviewed and refinanced where appropriate to obtain the most cost-efficient terms.

Company life extended and management fees extended

Macau pursued a zero-COVID strategy throughout most of 2022, and the ensuing lockdowns and travel restrictions severely constrained the Manager's efforts to divest the portfolio properties. A shareholder resolution was therefore proposed, and subsequently passed, at the Company's Annual General Meeting in December to further extend the life of the Company for a year to facilitate the orderly divestment of the portfolio. The Company thanks all Shareholders for their continued support in this regard.

In connection to the extension of the Company's life, the Board and the Manager have also agreed to extend the management and other fees payable to the Manager. Full details are set out on page 49 of these accounts.

Portfolio Updates

PORTFOLIO OVERVIEW AS AT 31 DECEMBER 2022

	Sector	No. of Units	Costs (US\$ million)	Market Valuation (US\$ million)	Changes in Market Value Since 30 June 2022	Composition (Based on market value)
The Waterside <i>Tower Six of One Central Residences</i> *	Luxury residential	54	91.4	164.1	1.7%**	73.0%
The Fountainside**	Low-density residential	7	6.3	18.4	0.5%	8.2%
Penha Heights	Luxury residential	—	28.5	42.4	0.4%	18.8%
Total			126.2	224.9	1.4%**	100%

* One Central is a trademark registered in Macau SAR under the name of Basecity Investments Limited. Sniper Capital Limited, Macau Property Opportunities Fund Limited, MPOF Macau (Site 5) Limited, Bela Vista Property Services Limited and *The Waterside* are not associated with Basecity Investments Limited, Shun Tak Holdings Limited or Hongkong Land Holdings Limited.

** Calculation is based on adjusted figures made to 30 June 2022 to reflect like-for-like comparisons to 31 December 2022 due to property sales during the period.

Throughout most of the second half of 2022, the divestment of the portfolio remained severely hindered by Macau's pursuit of its zero-COVID policy.

Although the Company adjusted its strategy to capture pockets of investor interest, market sentiment and restricted access to Macau saw the sale of only one additional unit at *The Waterside* during the period. The Manager was unable to progress beyond enquiries relating to the other two portfolio properties as investor appetite for in-person viewings diminished while travel restrictions remained in place.

Post the end of 2022, however, as zero-COVID was abandoned and Macau opened up, the Manager took advantage of an rise in enquiries to negotiate USD14.6 million of incremental sales at *The Waterside*.

The Waterside



The *Waterside* is the Company's landmark asset in downtown Macau, now comprising 48 of an original 59 luxury residential apartments available for lease and sale.

Following the agreed sale of four units in the Company's first strata sales campaign in the first half, conditions in the second half proved extremely challenging, and despite attractive pricing, only one additional apartment was sold. This situation reversed rapidly at the end of the year as zero-COVID ended and investor interest in luxury properties showed early signs of reviving.

MPO secured the sale of six units subsequent to the Company's period end. The total consideration of the six units was US\$14.6 million - an overall average discount of 10% to their end-2022 valuations. Two of these sales have now completed in full generating gross proceeds of US\$5.0 million, with the remaining four due to complete over the next several months. Upon completion of the six sales, the Company will utilise approximately US\$11 million (75%) of the proceeds for loan repayments, with the balance earmarked for working capital.

As of the end of 2022, 32% of the Company's units were leased at an average rent of US\$2.18 per square foot per month.

The Fountainside



The *Fountainside* is a low-density, freehold residential development originally comprising 42 homes and 30 car-parking spaces in Macau's popular Penha Hill district. Three smaller units created by reconfiguring two duplexes have been awaiting final government approval, which is now expected in Q2 2023, before the sales process can begin. Several price enquiries from existing *Fountainside* residents have already been received.

The Company is maintaining a flexible sales approach for *The Fountainside's* four villas, and will entertain both individual and en bloc offers.

Penha Heights



Penha Heights is a prestigious, colonial-style villa with a gross floor area of approximately 12,000 square feet, located in the exclusive residential enclave of Penha Hill and surrounded by lush greenery.

Marketing this trophy home has been challenging as in-person viewings were made difficult by travel restrictions until the new year. With the lifting of restrictions, we expect to facilitate a larger number of viewings by Hong Kong and overseas investors.

Macroeconomic Outlook

Macau's economy took a severe hit in the second half of 2022 due to ongoing zero-COVID measures in the territory and across mainland China. With the flow of mainland Chinese tourists largely halted by lockdowns and travel restrictions, Macau's economic engines of gaming and tourism, were operating far below their pre-pandemic levels.

Recognising the economic impact of containing COVID, Macau's government had begun rolling back travel restrictions during the second half, albeit cautiously, while working with the mainland Chinese government to restore pre-pandemic easing of travel to the territory. In December, following mainland China's lead in reversing zero-COVID policies, Macau moved at lightning speed to remove zero-COVID measures, and by 8 January 2023 had largely discarded measures that had previously restricted travel to the territory.

Zero-COVID: A pendulum swing

Two major COVID outbreaks bookended the second half in Macau, but the ways in which the outbreaks were managed contrasted starkly. In July, with approximately 2,000 reported cases, dynamic zero-COVID measures saw Macau almost locked down, multiple rounds of city-wide mass testing conducted, and schools and non-essential businesses closed — including casinos, which shut for 12 days. In December, with zero-COVID abandoned, despite rapid, widespread community transmission, Macau dismantled its mass-testing sites and pressed ahead with reopening its borders.

Between the two outbreaks, cautious steps were taken from November onwards to enable overseas visitors to travel more easily to Macau, including the reduction and finally lifting of the hugely prohibitive hotel quarantine period. The restoration of the Individual Visit Scheme and e-Visas for mainland Chinese visitors in November was also a key boost to Macau's economy.

These tentative steps were followed by an abrupt about-turn in the management of COVID-19 in the territory following the sudden reversal of zero-COVID policies in

mainland China. In a series of rapid-fire announcements, Macau simultaneously removed containment measures — including the testing of high-risk groups — and restored pre-pandemic ease of travel. In addition to abolishing most COVID-related health requirements for tourists and health codes for entry to public places and facilities, the government also restored ferry and bus services to Hong Kong and scheduled international flights.

Although Macau's business sector welcomed these developments with great enthusiasm, there was grave concern over the potential impact of a zero-COVID “exit wave”, a phenomenon observed across the globe as COVID restrictions have been lifted. By mid-January 2023, health officials estimated that at least 70% of Macau's population had been infected by COVID in the month following the end of zero-COVID. This resulted in labour shortages across the territory that led to temporary closures of outlets in the gaming and tourism sectors, while the healthcare sector struggled with a concurrent outpouring in patients seeking treatment and COVID infections among frontline health workers.

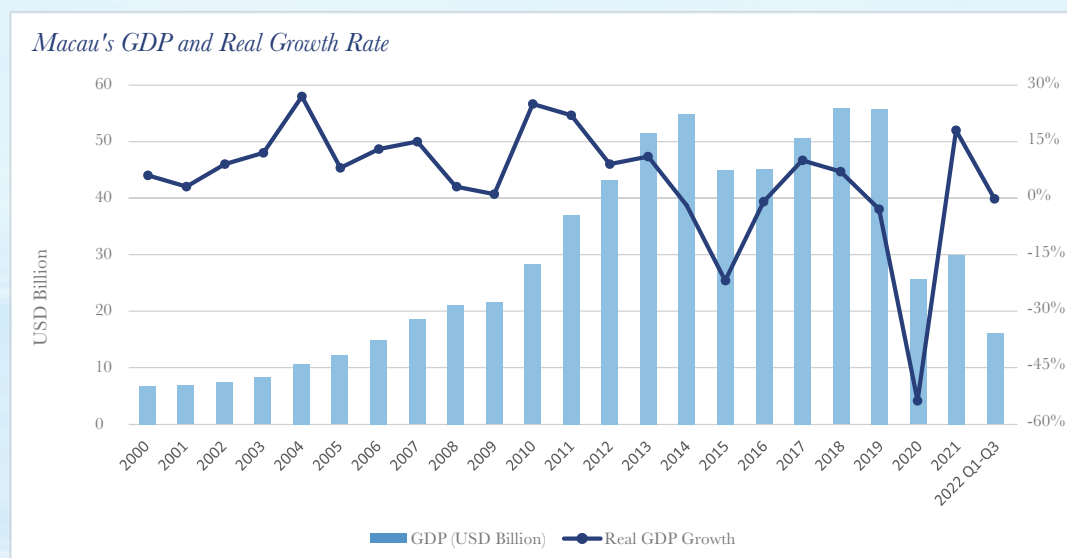
Nevertheless, Macau is likely to weather its exit wave far better than mainland China. The territory's 94% COVID vaccination rate and the availability of mRNA vaccines free of charge is better protecting its residents from serious illness and death compared to mainland China, allowing a quicker recovery from the surge. The government has also distributed antigen test kits and basic medication to Macau residents to enable them to manage their symptoms at home.

Despite the short-term disruptions, the reopening of Macau's borders and the restoration of ease of travel has seen a surge of visitors at all entry points, particularly from January 2023 and mostly from mainland China and Hong Kong. Tourist arrivals during the Chinese New Year holiday outperformed expectations, exceeding 64,000 daily arrivals, an upsurge of 300% year on year (YoY). This bodes well for Macau's economy, with the tourism and gaming sectors being the immediate beneficiaries, with spillover gains in other sectors such as the property market in the medium and longer term.

Economic activity in 2022

Macau's economic performance in 2022 reflects the disruptive impact of zero-COVID measures on its twin drivers of growth, and also lends credence to the government's policy of reducing the territory's reliance on gaming. Gross domestic product plummeted 33% YoY in Q3 2022 amid a drop of 28% for the first nine months of the year. For full-year 2022, the territory is expected to register a YoY GDP decline of 17%. Unemployment among local residents rose as high as 4.7% in the second half of 2022, compared to an average of 2% pre-pandemic. Inflation was relatively benign at 1% during the same period.

Macau's credit score has not been revised since early 2022, when Fitch Ratings affirmed the territory's long-term rating at "AA" with a stable outlook. Fitch has since said that Macau's GDP may rebound 46% YoY in 2023, although that observation preceded recent reopening measures.

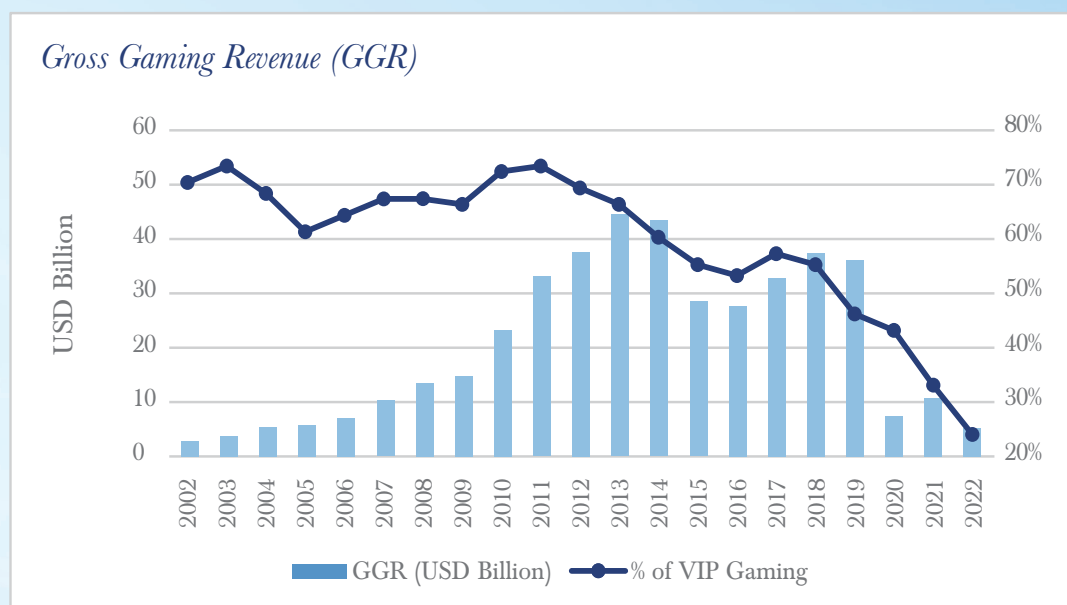


Source: DSEC

Note: MOP/USD Dollar exchange rates 8.08 on 31 December 2022

Gaming: Light at the end of the tunnel

Macau's gaming sector went through a dismal period in 2022, with gross gaming revenue (GGR) declining 51% YoY over the full year to its weakest annual revenue since 2004, at US\$5.3 billion, just 14% of 2019's pre-pandemic level.



Source: DSEC

Note: MOP/USD Dollar exchange rates 8.08 on 31 December 2022

The VIP gaming segment, which prior to the commencement of China's corruption clampdown in 2014 accounted for almost 70% of GGR in Macau, declined further over the year to a new low and now accounts for only c.24% of GGR. This is ultimately a positive factor for Macau's gaming operators due the higher profitability generated by mass market gaming.

Macau's six incumbent licence holders were awarded fresh 10-year operating licences

The highlight of the period was confirmation that the six incumbent licence holders had been awarded fresh 10-year operating licences under the territory's new gaming laws. In line with Macau's emphasis on diversification, the six gaming operators have announced a combined investment of US\$15 billion in new projects, more than 90% of which has been earmarked for exploring customer markets other than mainland China and developing non-gaming tourism, such as the convention and exhibition business, entertainment and performances, sports events, culture, art, healthcare and theme parks. The gaming operators will be required to make further non-gaming investments for every year that GGR exceeds an annual threshold of US\$22.4 billion.

Following the reopening of the border in early January, Macau recorded a surge in January GGR to US\$1.43 billion, up 83% YoY and 47% of the pre-pandemic level.

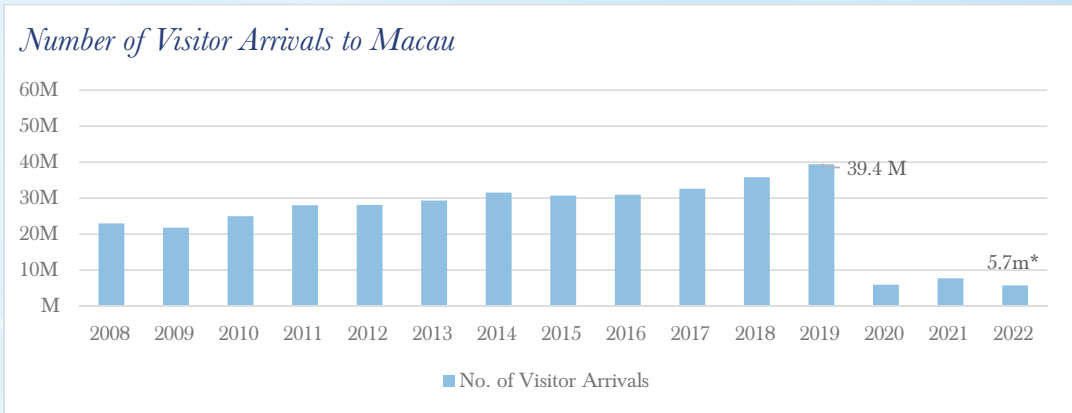
Tourism: Recovering amid easier travel

Tourist arrivals in Macau in FY2022 fell 26% YoY. Although the October Golden Week saw the second-highest number of daily visitors of the year, at approximately 37,000, visitor numbers around other traditional peak periods such as the Macau Grand Prix and the year-end holidays were disappointing. Hotel occupancy also weakened by 12% YoY to 38% for FY2022, with average room rates of MOP750 (US\$94).

From mid-January 2023, there was a steady rise in visitor numbers, with daily averages of 52,000, and the territory registered more than 64,000 daily visitors over the Chinese New Year period.

The upturn comes following measures to restore ease of travel to Macau, particularly for travellers from mainland China, Hong Kong and Taiwan, who were not required to present negative COVID test results for entry to Macau from 8 January. The resumption of international flights to Macau, and of bus and ferry services between Hong Kong and Macau, will also facilitate travel to Macau, with operators expected to increase frequencies to pre-pandemic levels over the next few months.

Hotel bookings soared during Chinese New Year, a traditional peak travel period. Hotel occupancy of 86% was recorded for the seven-day holiday period, with hotel room prices doubling and even tripling from 2022 levels. With arrivals of tour groups to Macau officially resuming in February, the number of visitors is expected to multiply, underpinning the territory’s economic recovery.



Source: DSEC
* Note: As of 2022, 90% of the visitor arrival to the territory is from mainland China

Property Market Overview

Macau's property market remained under pressure in the second half of 2022, in tandem with other parts of the economy. Transactions in residential units for H2 2022 declined 51% YoY to 1,318 units and prices declined further, with the average price per square feet measured in gross floor area dropping by 4% YoY to approximately HKD6,200 (US\$790).

In 2022, unit transaction volumes fell by half YoY to a total of 2,950 units, marking the territory's worst year for residential sales in four decades. Based on our analysis, the luxury residential segment, to which the Company is exposed, saw transactions fall by 35% YoY in 2022, with the sector accounting for 17% of all residential property transactions in Macau during the period.



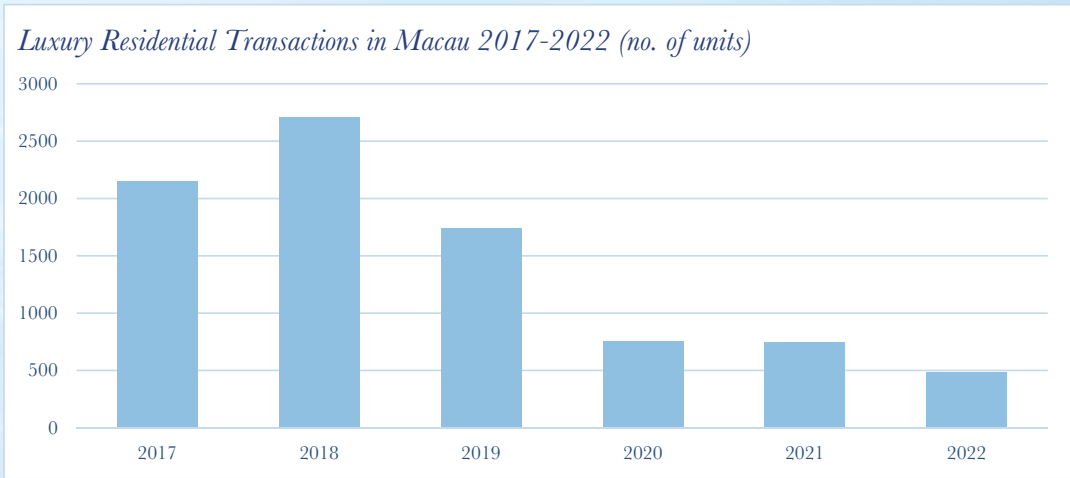
Source: DSF

Realtor Centaline believes that prices in Macau's residential property market have bottomed out and are unlikely to deteriorate further. Property agents expect the market to recover from Q2 2023 onwards as Macau's economy benefits from a sustained revival in tourism and gaming.

However, in tandem with USD interest rates, there have been eight consecutive interest rate hikes in Macau since March 2022, taking the city’s Prime Lending Rate to a 15-year high of c.5%. With potential purchasers facing higher borrowing costs, this could dent demand. Furthermore, higher interest rates may lead to existing property owners being unable to service their mortgage repayments which could trigger sales.

The poor performance of Macau’s property market has prompted calls for the government to ease measures it has put in place over the past decade to curb speculation. Citing credit easing and other measures recently introduced in mainland China to throw a lifeline to the country’s troubled property sector, Macau property players have urged the government to consider similar measures to strike a better balance in matching housing supply and pricing with demand.

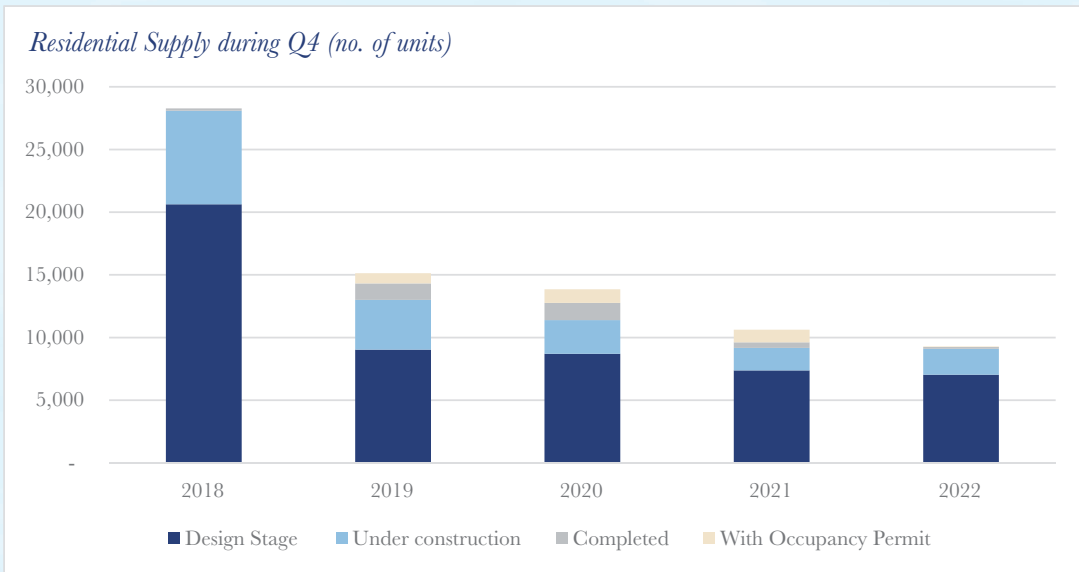
Current measures in Macau to curb real estate speculation include additional ad valorem stamp duty of up to 20% if a property is resold within two years of purchase, buyer’s stamp duty of 10% for properties purchased by companies or non-residents, and an additional stamp duty of up to 10% for those owning more than one residential property. The residential mortgage lending ratio for buyers was tightened in 2018, resulting in maximum financing levels of only 40%-50% of purchase prices for properties valued in excess of MOP8 million (approximately US\$1 million).



Note: Luxury is defined as a selected range of residential projects that offer similar floor areas and facilities to those of The Waterside at One Central Residences

Source: DSF

According to the Land and Urban Construction Bureau of the Macau, only 500 residential units received occupancy permits in 2022, a drop of 80% YoY reflecting constrained supply. At the end of 2022, there were a total of 9,285 units in the pipeline, but 76% of these units were at the design stage, 22% were under construction, and fewer than 2% had been completed. Furthermore, the vast majority of developers' new units are in the affordable segment and include properties such as one-bedroom homes or studios aimed at first-time buyers and, as such, are not competing with the Company's portfolio properties.



Source: DSSCU

Looking Ahead

Investor sentiment towards Macau has become significantly more buoyant in the last month, but we remain cautious in the near term, since the economy is likely to grapple with labour shortages and public health issues as it begins to recover from its sharpest declines in almost two decades.

Analysts' estimates for GGR growth suggest that 2023 will be a transitional year, and that in 2024, GGR will rebound to US\$27 billion, with net revenue at 77% of 2019 levels.

The recovery of Macau's gaming and tourism sectors, with the attendant improvement in GGR and tourist spending, is expected to set the economy on a long-awaited road to revival. However, a sustained return in investor sentiment will be required for the Company's divestment programme to continue to make meaningful progress in terms of achieving further timely sales and lowering debt levels.



Directors' statement of Responsibilities

The Directors are responsible for preparing this half-yearly financial report in accordance with applicable law and regulations.

The Directors confirm that to the best of their knowledge:

- the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting; and
- the Chairman's Message and Manager's Report meet the requirements of an interim management report, and include a fair review of the information required by:
 - a. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated financial statements; and a description of the principal risks and uncertainties for the year to date and the remaining six months of the year; and
 - b. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Mark Huntley

Chairman

23 February 2023

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2022

	Note	Unaudited 31 Dec 2022 US\$'000	Unaudited 31 Dec 2021 US\$'000	Audited 30 Jun 2022 US\$'000
ASSETS				
Non-current assets				
Investment property	3	164,100	196,450	181,520
Deposits with lenders	4	1,878	6,416	1,561
Trade and other receivables		16	16	16
		165,994	202,882	183,097
Current assets				
Inventories	5	34,872	34,725	34,635
Trade and other receivables		92	124	53
Deposits with lenders	4	384	—	1,895
Cash and cash equivalents	13	23	531	355
		35,371	35,380	36,938
Total assets		201,365	238,262	220,035
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	618	618	618
Retained earnings		57,975	77,182	62,349
Distributable reserves		15,791	15,791	15,791
Foreign currency translation reserve		(746)	(364)	(1,182)
Total equity		73,638	93,227	77,576
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	11	8,720	11,431	9,706
Taxation provision	11	279	418	579
Interest-bearing loans	6	87,319	103,165	104,852
		96,318	115,014	115,137
Current liabilities				
Trade and other payables		2,176	955	2,019
Interest-bearing loans	6	29,233	29,066	25,303
		31,409	30,021	27,322
Total liabilities		127,727	145,035	142,459
Total equity and liabilities		201,365	238,262	220,035
Net Asset Value per share (US\$)	8	1.19	1.51	1.25
Adjusted Net Asset Value per share (US\$)	8	1.61	1.96	1.67

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 23 February 2023.

The notes on pages 39 to 51 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period from 1 July 2022 to 31 December 2022

		Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 12 months 1 Jul 2021– 30 Jun 2022 US\$'000
	Note			
Income				
Income on sale of investment property	3	17,254	—	—
Income on sale of inventories	5	—	1,515	1,511
Rental income		543	567	1,082
Other income		—	—	129
		17,797	2,082	2,722
Expenses				
Net loss from fair value adjustment on investment property	3	8,541	2,530	16,380
Cost of sales of investment property	3	9,602	—	—
Cost of sales of inventories	5	—	522	521
Management fee	10	600	600	1,199
Realisation fee	10	27	23	23
Non-executive directors' fees	10	79	92	170
Auditors' remuneration: audit fees		52	70	131
Auditors' remuneration: other professional services		—	—	9
Property operating expenses		624	705	1,372
Sales and marketing expenses		616	85	115
General and administration expenses		207	313	615
Loss/(Gain) on foreign currency translation		116	4	(298)
		(20,464)	(4,944)	(20,237)
Operating loss for the period/year		(2,667)	(2,862)	(17,515)
Finance income and expenses				
Bank loan interest	6	(2,555)	(1,404)	(2,985)
Other financing costs		(179)	(212)	(431)
Bank and other interest		2	—	—
		(2,732)	(1,616)	(3,416)
Loss for the period/year before tax		(5,399)	(4,478)	(20,931)
Taxation	11	1,025	220	1,840
Loss for the period/year after tax		(4,374)	(4,258)	(19,091)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		436	(420)	(1,238)
Total comprehensive loss for the period/year		(3,938)	(4,678)	(20,329)
Loss attributable to:				
Equity holders of the Company		(4,374)	(4,258)	(19,091)
Total comprehensive loss attributable to:				
Equity holders of the Company		(3,938)	(4,678)	(20,329)

Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

		Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US\$	Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US\$	Audited 12 months 1 Jul 2021– 30 Jun 2022 US\$
Basic and diluted loss per Ordinary Share attributable to the equity holders of the Company during the period/year	Note			
	7	(0.0707)	(0.0689)	(0.3087)

All items in the above statement are derived from continuing operations.

The notes on pages 37 to 51 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

Movement for the six-month period from 1 July 2022 to 31 December 2022 (unaudited)

	Share capital US\$'000	Retained earnings US\$'000	Distributable reserves US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000
Balance brought forward at 1 July 2022	618	62,349	15,791	(1,182)	77,576
Loss for the period	—	(4,374)	—	—	(4,374)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange difference on translating foreign operations	—	—	—	436	436
Total comprehensive loss for the period	—	(4,374)	—	436	(3,938)
Balance carried forward at 31 December 2022	618	57,975	15,791	(746)	73,638

Movement for the six-month period from 1 July 2021 to 31 December 2021 (unaudited)

	Share capital US\$'000	Retained earnings US\$'000	Distributable reserves US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000
Balance brought forward at 1 July 2021	618	81,440	15,791	56	97,905
Loss for the period	—	(4,258)	—	—	(4,258)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange difference on translating foreign operations	—	—	—	(420)	(420)
Total comprehensive loss for the period	—	(4,258)	—	(420)	(4,678)
Balance carried forward at 31 December 2021	618	77,182	15,791	(364)	93,227

Movement for the year from 1 July 2021 to 30 June 2022 (audited)

	Share capital US\$'000	Retained earnings US\$'000	Distributable reserves US\$'000	Foreign currency translation reserve US\$'000	Total US\$'000
Balance brought forward at 1 July 2021	618	81,440	15,791	56	97,905
Loss for the year	—	(19,091)	—	—	(19,091)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange difference on translating foreign operations	—	—	—	(1,238)	(1,238)
Total comprehensive loss for the year	—	(19,091)	—	(1,238)	(20,329)
Balance carried forward at 30 June 2022	618	62,349	15,791	(1,182)	77,576

The notes on pages 39 to 51 form part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six-month period from 1 July 2022 to 31 December 2022

		Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 12 months 1 Jul 2021– 30 Jun 2022 US\$'000
	Note			
Net cash used in operating activities	9	(2,200)	(424)	(402)
Cash flows from investing activities				
Capital expenditure on investment property	3	—	(218)	(288)
Proceeds from disposal of investment property		17,254	—	—
Movement in pledged bank balances		1,194	416	3,376
Net cash generated from investing activities		18,448	198	3,088
Cash flows from financing activities				
Proceeds from bank borrowings		6,532	9,383	9,457
Repayment of bank borrowings		(20,845)	(12,155)	(13,673)
Interest and bank charges paid		(2,317)	(1,425)	(3,013)
Net cash used in financing activities		(16,630)	(4,197)	(7,229)
Net movement in cash and cash equivalents		(382)	(4,423)	(4,543)
Cash and cash equivalents at beginning of period/year		355	5,003	5,003
Effect of foreign exchange rate changes		50	(49)	(105)
Cash and cash equivalents at end of period/year	13	23	531	355

The notes on pages 39 to 51 form part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the six-month period from 1 July 2022 to 31 December 2022

General information

Macau Property Opportunities Fund Limited (the “Company”) is a Company incorporated and registered in Guernsey under The Companies (Guernsey) Law, 1994. This law was replaced by the Companies (Guernsey) Law, 2008 on 1 July 2008. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008 and is regulated by the Guernsey Financial Services Commission. The address of the registered office is given on page 52.

The interim condensed consolidated financial statements for the six months ended 31 December 2022 comprise the interim financial statements of the Company and its subsidiaries (together referred to as the “Group”). The Group invests in residential property in Macau.

There have been no changes to the Group’s principal risks and uncertainties in the six-month period to 31 December 2022 and the Board of Directors does not anticipate any changes to the principal risks and uncertainties in the second half of the year. Principal risks and uncertainties are further discussed in the Annual Report on page 56.

The interim condensed consolidated financial statements are presented in US Dollars (“US\$”) and are rounded to the nearest thousand (\$’000).

These interim condensed consolidated financial statements were approved for issue by the Board of Directors on 23 February 2023.

1. Significant accounting policies

Basis of accounting

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”); applicable legal and regulatory requirements of Guernsey Law and under the historical cost basis, except for financial assets and liabilities held at fair value through profit or loss (“FVPL”) and investment properties that have been measured at fair value. The accounting policies and valuation principles adopted are consistent with those of the previous financial year.

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the annual financial statements. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as of 30 June 2022.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations are effective for the year ended 30 June 2023 and therefore were applied in the current period but did not have a material impact on the Group:

- Annual Improvements to IFRSs 2018–2020 (effective 1 January 2022)
- Amendment to IAS 37: Onerous Contracts: Cost of fulfilling a Contract (effective 1 January 2022)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

1. Significant accounting policies *(continued)*

Basis of accounting *(continued)*

Going concern

The Group continues to meet its capital requirements and day-to-day liquidity needs through the Group's cash resources. As part of their assessment of the going concern of the Group as at 31 December 2022, the Directors have reviewed the comprehensive cash flow forecasts prepared by management which make assumptions based upon current and expected future market conditions, including predicted future sales of properties taking into consideration current market circumstances. It is the Directors' belief that, based upon these forecasts and their assessment of the Group's committed banking facilities, it is appropriate to prepare the financial statements of the Group on a going concern basis.

The Directors, after the continuation resolution was passed at the Annual General Meeting of the Company on 22 December 2022 extending the Fund's life until the 2023 Annual General Meeting, assessed whether the continuation vote before the end of 2023 gives rise to a material uncertainty that might cast significant doubt on the Fund's ability to continue as a going concern. The Directors have also considered the going concern assumption outside the primary going concern horizon. The Directors currently expect to receive continuation support from major shareholders and over 50% of shareholder support is required in December 2023 to ensure continuation; it is likely that returns from the sale of properties could well be significantly lower if the Fund was forced to sell as a result of discontinuation and it is therefore commercially rational for the Fund to continue in business. Therefore, the Directors believe it is appropriate to prepare the financial statements of the Group on the going concern basis based upon existing cash resources, the forecasts described above, the extension of the life of the Company until the 2023 Annual General Meeting agreed at the Annual General Meeting on 13 December 2022 and the Directors' assessment of the Group's committed banking facilities and expected continuing compliance with related covenants.

The continuing impact of the COVID-19 pandemic has not prevented a number of sale transactions in the current period and has not had a significant impact on the loan covenants held by the Group. The overall uncertainty brought about by COVID-19 and its impact on the Group is continuing to be closely monitored by the Board.

Seasonal and cyclical variations

The Group does not operate in an industry where significant or cyclical variations as a result of seasonal activity are experienced during the financial year.

2. Segment reporting

The Chief Operating Decision Maker (the "CODM") in relation to Macau Property Opportunities Fund Limited is deemed to be the Board itself. The factors used to identify the Group's reportable segments are centred on asset class, differences in geographical area and differences in regulatory environment. Furthermore, foreign exchange and political risk are identified, as these also determine where resources are allocated.

Based on the above and a review of information provided to the Board, it has been concluded that the Group is currently organised into one reportable segment based on the single geographical sector, Macau.

This segment refers principally to residential properties. Furthermore, there are multiple individual properties that are held within each property type. However, the CODM considers, on a regular basis, the operating results and resource allocation of the aggregated position of all property types as a whole, as part of their on-going performance review. This is supported by a further breakdown of individual property groups only to help support their review and investment appraisal objectives.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

3. Investment property

	Unaudited 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 1 Jul 2021– 30 Jun 2022 US\$'000
At beginning of the period/year	181,520	199,629	199,629
Capital expenditure on property	—	218	288
Disposal of property	(9,602)	—	—
Fair value adjustment	(8,541)	(2,530)	(16,380)
Exchange difference	723	(867)	(2,017)
Balance at end of the period/year	164,100	196,450	181,520

Valuation losses (fair value adjustment) from investment property are recognised in profit and loss for the period and are attributable to changes in unrealised losses relating to investment property held at the end of the reporting period.

The valuation process is initiated by the Investment Adviser with the Board consent and approval, who appoints a suitably qualified valuer to conduct the valuation of the investment property. The results are overseen by the Investment Adviser. Once satisfied with the valuations based on their expectations, the Investment Adviser reports the results to the Board. The Board periodically meets with the valuer and reviews the latest valuations based on their knowledge of the property market and compare these to previous valuations.

The Group's investment properties were revalued at 31 December 2022 by an independent, professionally-qualified valuer: Savills (Macau) Limited ("Savills"). The valuation has been carried out in accordance with the current Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards to calculate the market value of the investment properties in their existing state and physical condition, with the assumptions that:

- The owner sells the property in the open market without any arrangement, which could serve to affect the value of the property.
- The property is held for investment purposes.
- The property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect its value.

The fair value of investment property is independently determined by Savills, using recognised valuation techniques. The technique deployed was the income capitalisation method. The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on local market conditions existing at the reporting date.

See Note 11 in relation to deferred tax liabilities on investment property.

During the current period, five residential units of *The Waterside* were sold for a total consideration of US\$17.3 million against a total cost of US\$10.2 million which resulted in a net profit of US\$7.1 million after all associated fees and transaction costs but before financing and other related holding costs.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

For the six-month period from 1 July 2022 to 31 December 2022

3. Investment property (continued)

Capital expenditure on property during the prior period relates to fit-out costs for *The Waterside*.

Rental income arising from *The Waterside* of US\$539,000 (6 months ended 31 December 2021: US\$566,000, 12 months ended 30 June 2022: US\$1,079,000) was received during the period. Direct operating expenses of US\$389,000 (6 months ended 31 December 2021: US\$451,000, 12 months ended 30 June 2022: US\$866,000) arising from rented units were incurred during the six-month period. Direct operating expenses during the period arising from vacant units totalled US\$134,000 (6 months ended 31 December 2021: US\$200,000, 12 months ended 30 June 2022: US\$369,000).

The table below shows the assumptions used in valuing the investment properties which are classified as Level 3 in the fair value hierarchy:

		Carrying amount/ fair value as at 31 December 2022: US\$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	<i>The Waterside</i>	164,100	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK\$17.2 psf (30 June 2022: HK\$17.5 psf)	Age of building
Type	Residential/Completed apartments			Term yield (exclusive of management fee and furniture)	1.4%-2.2% (30 June 2022: 1.4%-2.2%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK\$13.1 psf (30 June 2022: HK\$13.16 psf)	
				Reversionary yield	1.55% (30 June 2022: 1.55%)	

The fair value of *The Waterside* is determined using the income approach, more specifically a term and reversion analysis, where a property's fair value is estimated based on the rent receivable and normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. The difference between gross and net rental income includes the same expense categories as those for the discounted cash flow method with the exception that certain expenses are not measured over time, but included on the basis of a time weighted average, such as the average lease up costs. Under the income capitalisation method, over and under-rent situations are separately capitalised (discounted).

If the estimated reversionary rent increased/decreased by 5%, (and all other assumptions remained the same), the fair value of *The Waterside* would increase by US\$7.8 million (6 months ended 31 December 2021: US\$10 million, 12 months ended 30 June 2022: US\$8.3 million) or decrease by US\$7.8 million (6 months ended 31 December 2021: US\$10 million, 12 months ended 30 June 2022: US\$8.3 million).

If the term and reversionary yield or discount rate increased/decreased by 5%, (and all other assumptions remained the same), the fair value of *The Waterside* would decrease by US\$7.6 million (6 months ended 31 December 2021: US\$9 million, 12 months ended 30 June 2022: US\$7.9 million) or increase by US\$8.2 million (6 months ended 31 December 2021: US\$10 million, 12 months ended 30 June 2022: US\$8.8 million).

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

3. Investment property (continued)

The same valuation method was deployed in June 2022 and December 2022.

The Waterside is currently valued at its highest and best use. There is no extra evidence available to suggest that it has an alternative use that would provide a greater fair value measurement.

There have been no transfers between levels during the period or any change in valuation technique since the last period.

4. Deposits with lenders

Pledged bank balances represent cash deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US\$1.9 million (31 December 2021: US\$6.4 million, 30 June 2022: US\$1.6 million) have been pledged to secure long-term banking facilities and are, therefore, classified as non-current assets. There are no other significant terms and conditions associated with these pledged bank balances.

	Unaudited 31 Dec 2022 US\$'000	Unaudited 31 Dec 2021 US\$'000	Audited 30 Jun 2022 US\$'000
Non-current	1,878	6,416	1,561
Current	384	—	1,895
	2,262	6,416	3,456

5. Inventories

	Unaudited 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 1 Jul 2021– 30 Jun 2022 US\$'000
Cost			
Balance brought forward	34,635	34,924	34,924
Additions	88	475	595
Disposals	—	(522)	(518)
Exchange difference	149	(152)	(366)
Balance carried forward	34,872	34,725	34,635

Additions include capital expenditure, development costs and capitalisation of financing costs.

Under IFRS, inventories are valued at the lower of cost and net realisable value. The carrying amounts for inventories as at 31 December 2022 amounts to US\$34,872,000 (6 months ended 31 December 2021: US\$34,725,000, 12 months ended 30 June 2022: US\$34,635,000). Net realisable value as at 31 December 2022 as determined by the independent, professionally-qualified valuer, Savills, was US\$58,932,000 (6 months ended 31 December 2021: US\$62,319,000, 12 months ended 30 June 2022: US\$58,661,000).

During the six month period to 31 December 2022, no units of *The Fountainside* were sold.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

5. Inventories (continued)

During the year ended 30 June 2022, one residential unit of *The Fountainside* was sold for a total consideration of US\$1.5 million (HK\$11.8 million) against a total cost of US\$0.6 million (HK\$4.4 million) which resulted in a net profit of US\$0.9 million (HK\$7.4 million) after all associated fees and transaction costs.

During the period ended 31 December 2021, one residential unit of *The Fountainside* was sold for a total consideration of US\$1.5 million (HK\$11.8 million) against a total cost of US\$0.5 million (HK\$4.1 million) which resulted in a net profit of US\$1.0 million (HK\$7.7 million) after all associated fees and transaction costs.

6. Interest-bearing loans

	Unaudited 31 Dec 2022 US\$'000	Unaudited 31 Dec 2021 US\$'000	Audited 30 Jun 2022 US\$'000
Bank loans - Secured			
- Current portion	29,233	29,066	25,303
- Non-current portion	87,319	103,165	104,852
	116,552	132,231	130,155

There are interest-bearing loans with three banks:

Hang Seng Bank

The Group has a term loan facility with Hang Seng Bank for *The Waterside*.

In September 2020, the Group executed a HK\$540 million (US\$69.7 million) five-year term loan facility (Tranche 7) to refinance previous tranches which were due for settlement in September 2020. In March 2021, the Group executed a HK\$250 million (US\$32.2 million) four-year term facility (Tranche 8) to refinance previous tranches which were due for settlement in March 2021. In September 2022, the Group executed a HK\$50 million (US\$6.4 million) nine month term facility (Tranche 9) to partially refinance previous tranches which were due for settlement in September 2022.

As at 31 December 2022, three tranches remained outstanding. Tranche 6 matured on 19 September 2022 and was fully repaid. (31 December 2021: HK\$108 million (US\$13.8 million), 30 June 2022: HK\$108 million (US\$13.8 million)). Tranche 7 had an outstanding balance of HK\$476 million (US\$60.9 million) (31 December 2021: HK\$512 million (US\$65.7 million), 30 June 2022: HK\$512 million (US\$65.2 million)); Tranche 8 had an outstanding balance of HK\$225 million (US\$28.8 million) (31 December 2021: HK\$238 million (US\$30.5 million), 30 June 2022: HK\$225 million (US\$28.7 million)); Tranche 9 had an outstanding balance of HK\$33.6 million (US\$4.3 million) (31 December 2021: HK\$nil (US\$nil), 30 June 2022: HK\$nil (US\$nil)).

The interest rates applicable to Tranche 7 and Tranche 8 are 1.8% per annum over the 1-, 2-or 3-month HIBOR rate. The interest rate applicable to Tranche 9 is 2.2% per annum over the 1-, 2-or 3-month HIBOR rate. The choice of rate is at the Group's discretion. Tranche 7 matures in September 2025 and the principal is to be repaid in nine instalments commencing from December 2020 with 57.59% of the principal due upon maturity. Tranche 8 matures in March 2025 and the principal is to be repaid in seven instalments commencing from December 2021 with 34% of the principal due upon maturity. Tranche 9 matures in June 2023 and the principal is to be repaid in two instalments commencing in March 2023 with 60% of the principal due upon maturity. The loan-to-value covenant is 60%. As at 31 December 2022, the loan-to-value ratio for the Hang Seng One Central facility was 57.30%. The facility is secured by means of a first registered legal mortgage over all unsold units at *The Waterside* as well as a pledge of all income from the units. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

6. Interest-bearing loans *(continued)*

Hang Seng Bank (continued)

The Group has a loan facility for *The Fountainside*.

The Facility amount is HK\$96 million (US\$12.3 million) divided into 2 tranches, with a tenor of 4 years to mature in March 2024. Tranche A is a facility for an amount of HK\$89 million (US\$11.4 million). Tranche B is a facility for an amount of HK\$7 million (US\$0.9 million) for financing the alteration costs of The Fountainside. The facility of Tranche A has an outstanding balance of HK\$38.7 million (US\$5.0 million) and the facility for Tranche B has an outstanding balance of HK\$5.2 million (US\$0.7 million). The interest rates applicable to Tranche A and Tranche B are 2.8% per annum and 3.3% per annum, respectively, over the 1-, 2- or 3-month HIBOR rate. The choice of rate is at the Group's discretion. The principal of Tranche A is to be repaid half-yearly with remaining instalments commencing in September 2023, with 26.93% of the principal due upon maturity, while repayment for Tranche B is due in full at maturity. The loan-to-value covenant is 55%. The facility is secured by means of a first registered legal mortgage over all unsold units and car parking spaces of The Fountainside as at the loan facility date as well as a pledge of all income from the units and the car parking spaces. The Company is the guarantor for the credit facility. In addition, the Group is required to maintain a cash reserve equals to six months' interest with the lender.

As at 31 December 2022, the facility had an outstanding balance of HK\$43.9 million (US\$5.6 million) (31 December 2021: HK\$42 million (US\$5.4 million), 30 June 2022: HK\$43 million (US\$5.5 million)). As at 31 December 2022, the loan-to-value ratio for this facility was 30.55%.

The Group has two loan facilities for *Penha Heights*:

Banco Tai Fung

The loan facility with Banco Tai Fung originally had a term of two years and the facility amount was HK\$70 million, which expired in June 2022 and was subsequently renewed for another term of seven years. Interest was Prime Rate minus 2.25% per annum. The principal is to be repaid in 28 quarterly instalments of HK\$2.5 million (US\$319,969) each, commencing in September 2022. As at 31 December 2022, the facility had an outstanding balance of HK\$67.5 million (US\$8.6 million) (31 December 2021: HK\$70 million (US\$9.0 million), 30 June 2022: HK\$70 million (US\$8.9 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Company is the guarantor for this term loan. Interest is paid quarterly for the first six month and monthly thereafter on this loan facility. As at 31 December 2022, the loan-to-value ratio for this facility was 44.70%. There is no loan-to-value covenant for this loan.

Banco Comercial de Macau, S.A. ("BCM Bank")

During the prior year, the Group executed a loan facility with BCM Bank to refinance the credit facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to Penha Heights. The facility amount is HK\$70 million (US\$9.0 million) with a tenor of 2 years to mature in December 2023. The interest rate is 2.55% per annum over the 3-month HIBOR rate. The principal is to be repaid in quarterly instalments commencing in March 2023 with 85% of the principal due upon maturity. As at 31 December 2022, the facility had an outstanding balance of HK\$70 million (US\$9.0 million) (31 December 2021: HK\$70 million (US\$9.0 million), 30 June 2022: HK\$70 million (US\$8.9 million)). This facility is secured by a first legal mortgage over the property as well as a pledge of all income from the property. The Company is the guarantor for this term loan. In addition, the Group is required to maintain a cash reserve equal to six months' interest with the lender. Interest is paid monthly on this loan facility. The loan-to-value covenant is 50%. As at 31 December 2022, the loan-to-value ratio for this facility was 38.89%.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

6. Interest-bearing loans (continued)

Bank Loan Interest

Bank loan interest paid during the period was US\$2,555,000 (6 months ended 31 December 2021: US\$1,404,000, 12 months ended 30 June 2022: US\$2,985,000). As at 31 December 2022, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US\$688,000 (31 December 2021: US\$1,043,000, 30 June 2022: US\$837,000).

Fair Value

Interest-bearing loans are carried at amortised cost. The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments.

The estimated fair value of fixed interest bearing loans is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. As at 31 December 2022, the fair value of the financial liabilities was US\$727,000 higher than the carrying value of the financial liabilities (31 December 2021: US\$79,000 lower than the carrying value of the financial liabilities, 30 June 2022: US\$462,000 lower than the carrying value of the financial liabilities).

The Group's interest-bearing loans have been classified within Level 2 as they have observable inputs from similar loans. There have been no transfers between levels during the period or a change in valuation technique since last period.

7. Basic and diluted loss per Ordinary Share

Basic and diluted loss per equivalent Ordinary Share is based on the following data:

	Unaudited 6 months 1 Jul 2022– 31 Dec 2022	Unaudited 6 months 1 Jul 2021– 31 Dec 2021	Audited 12 months 1 Jul 2021– 30 Jun 2022
Loss for the period/year (US\$'000)	(4,374)	(4,258)	(19,091)
Weighted average number of Ordinary Shares ('000)	61,836	61,836	61,836
Basic and diluted loss per share (US\$)	(0.0707)	(0.0689)	(0.3087)

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

8. Net asset value reconciliation

	Unaudited 31 Dec 2022 US\$'000	Unaudited 31 Dec 2021 US\$'000	Audited 30 Jun 2022 US\$'000
Net assets attributable to ordinary shareholders	73,638	93,227	77,576
Uplift of inventories held at cost to market value	25,883	28,224	25,844
Adjusted Net Asset Value	99,521	121,451	103,420
Number of Ordinary Shares Outstanding ('000)	61,836	61,836	61,836
NAV per share (IFRS) (US\$)	1.19	1.51	1.25
Adjusted NAV per share (US\$)	1.61	1.96	1.67
Adjusted NAV per share (£)*	1.33	1.45	1.38

* US\$:GBP rates as at relevant period/year end

The NAV per share is arrived at by dividing the net assets as at the date of the consolidated statement of financial position, by the number of Ordinary Shares in issue at that date.

Under IFRS, inventories are carried at the lower of cost and net realisable value. The Adjusted NAV includes the uplift of inventories to their market values before any tax consequences or adjustments.

The Adjusted NAV per share is derived by dividing the Adjusted NAV as at the date of the consolidated statement of financial position, by the number of Ordinary Shares in issue at that date.

There are no potentially dilutive instruments in issue.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

9. Cash flows from operating activities

	Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 12 months 1 Jul 2021– 30 Jun 2022 US\$'000
Cash flows from operating activities			
Loss for the period/year before tax	(5,399)	(4,478)	(20,931)
Adjustments for:			
Net loss from fair value adjustment on investment property	8,541	2,530	16,380
Fair value gain on disposal of investment property	(7,652)	—	—
Net finance costs	2,732	1,616	3,416
Operating cash flows before movements in working capital	(1,778)	(332)	(1,135)
Effect of foreign exchange rate changes	116	1	(298)
Movement in trade and other receivables	(39)	474	545
Movement in trade and other payables	(249)	(400)	775
Movement in inventories	(88)	47	(77)
Net change in working capital	(376)	121	1,243
Taxation paid	(162)	(214)	(212)
Net cash used in operating activities	(2,200)	(424)	(402)

Cash and cash equivalents (which are presented as a single class of assets on the face of the interim condensed consolidated statement of financial position) comprise cash at bank and other short-term, highly-liquid investments with a maturity of three months or less.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

10. Related party transactions

Directors of the Company are all Non-Executive and by way of remuneration, receive only an annual fee which is denominated in Sterling.

	Unaudited 6 months 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 12 months 1 Jul 2021– 30 Jun 2022 US\$'000
Directors' fees	79	92	170

The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 31 December 2022 were US\$41,000 (31 December 2021: US\$46,000, 30 June 2022: US\$41,000).

Sniper Capital Limited is the Manager to the Group and received management fees during the period as detailed in the Interim Condensed Consolidated Statement of Comprehensive Income. Management fees are paid quarterly in advance and amounted to US\$600,000 (6 months ended 31 December 2021: US\$600,000, 12 months ended 30 June 2022: US\$1,199,000) at a quarterly fixed rate of US\$300,000 per annum. Management fees outstanding as at 31 December 2022 were US\$300,000 (31 December 2021: US\$nil, 30 June 2022: US\$nil).

A realisation fee shall be payable on deals originated and secured by the Manager which shall be linked to the sales price achieved. The realisation fee is currently active until 31 December 2023. The realisation fee is payable upon the sale of individual properties and becomes payable 10 business days after completion. Where the sale price of the asset is 90 per cent. or more of the value of the relevant asset as at 30 September 2019 (the "Carrying Value") a fee of 2.5 per cent. of net proceeds (net of debt, costs and taxes) ("Net Proceeds") shall be payable; where the sale price of an asset is more than 80 per cent. but less than 90 per cent. of the Carrying Value of the relevant asset, a realisation fee of 1.5 per cent. of Net Proceeds shall be payable; and where the sale price of an asset is less than 80 per cent. of the Carrying Value, no realisation fee shall be payable. In no circumstances will the aggregate of the 2022 management fee and realisation fee exceed US\$1,780,000. Any realisation fee achieved on strata sales of units at The Waterside will be subject to the retention of 50% until all units have been sold. Realisation fees for the period totalled US\$27,000 (6 months ended 31 December 2021: US\$23,000, 12 months ended 30 June 2022: US\$23,000). For the calendar year 2023, a realisation fee of 1.5 per cent. shall be payable on sales of assets above 80 per cent. of the Carrying Values and a management fee of US\$300,000 per quarter shall be payable.

Additionally, in the event that divestments of all of the assets were secured by the Manager (either in one transaction or multiple transactions) prior to 31 December 2021, an extra incentive fee equal to 1 per cent. of the Net Proceeds of the assets was payable (the "Extra Incentive Fee"), subject to the aggregate sale price of those assets exceeding 80 per cent. of the Carrying Values of the relevant assets in aggregate.. The 2021 Realisation fee, active until 31 December 2021, (together with Incentive Fee (if any) during such period) shall not exceed in aggregate US\$3.8 million. The Extra Incentive Fee is no longer applicable for 2022 under the updated agreement. Extra Incentive fees payable for the period totalled US\$nil (6 months ended 31 December 2021: US\$nil, 12 months ended 30 June 2022 US\$nil).

No performance fee was accrued at period end (31 December 2021: US\$nil, 30 June 2022: US\$nil). No performance fee was paid during the period (6 months ended 31 December 2021: US\$nil, 12 months ended 30 June 2022: US\$nil).

All intercompany loans and related interest are eliminated on consolidation.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

11. Taxation provision

As at period-end, the following amounts are the outstanding tax provisions.

	Unaudited 31 Dec 2022 US\$'000	Unaudited 31 Dec 2021 US\$'000	Audited 30 Jun 2022 US\$'000
Non-current liabilities			
Deferred taxation	8,720	11,431	9,706
Provisions for Macanese taxations	279	418	579
	8,999	11,849	10,285

Deferred taxation

The Group has recognised the deferred tax liability for the taxable temporary difference relating to the investment property carried at fair value and has been calculated at a rate of 12%.

Provision for Macanese taxations

The Group has made provisions for property tax and complementary tax arising from its Macau business operations.

Tax Reconciliation

	Unaudited 1 Jul 2022– 31 Dec 2022 US\$'000	Unaudited 1 Jul 2021– 31 Dec 2021 US\$'000	Audited 1 Jul 2021– 30 Jun 2022 US\$'000
Accounting loss before tax	(5,399)	(4,478)	(20,931)
Exempt from income tax in Guernsey	—	—	—
Movement in deferred tax provision	1,025	304	1,965
Movement in provision for Macanese taxations	—	(84)	(125)
At the effective income tax rate of (19.0)% (31 Dec 2021: (4.9)%, 30 Jun 2022: (8.8)%)	1,025	220	1,840

The differences between the taxation for the period and the movement in taxation provisions are due to the foreign exchange movements and Macanese taxation paid during the period.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) *(continued)*

For the six-month period from 1 July 2022 to 31 December 2022

12. Share capital

Ordinary shares

	Unaudited 31 Dec 2022 US\$'000	Unaudited 31 Dec 2021 US\$'000	Audited 30 Jun 2022 US\$'000
Authorised: 300 million ordinary shares of US\$0.01 each	3,000	3,000	3,000
Issued and fully paid: 61.8 million (31 December 2021: 61.8 million; 30 June 2022: 61.8 million) ordinary shares of US\$0.01 each	618	618	618

The Company has one class of ordinary shares which carries no rights to fixed income.

The Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. In order to continue this strategy, the Board renewed this authority at the 2022 Annual General Meeting.

13. Subsequent events

The Company secured the sale of six units at The Waterside subsequent to period end. The total consideration of the six units is US\$14.6 million (HKD114.3 million) which are at an overall average discount of 10% to the 31 December 2022 valuations. Two of the sales have completed in full with the remaining four due to complete over the next three months.

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Alan Clifton
Carmen Ling

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Alan Clifton (Chairman)
Mark Huntley
Carmen Ling

Management Engagement Committee

Mark Huntley (Chairman)
Alan Clifton
Carmen Ling

Nomination and Remuneration Committee

Alan Clifton (Chairman)
Mark Huntley
Carmen Ling

Disclosure and Communication Committee

Mark Huntley (Chairman)
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