Macau Property Opportunities Fund

Interim Report for the six-month period ended 31 December 2021

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 largest 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$259.4 million as at 31 December 2021.

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 financial year and the second half of the calendar year ended 31 December 2021.

During this period, the challenges of COVID-19-driven restrictions following outbreaks in mainland Chinese cities and in Macau, including lockdowns, continued to seriously affect Macau's recovery. Adding to uncertainty around travel, questions over renewals of casino licences and a subsequent clampdown on VIP and junket gaming also weighed heavily on sentiment. Recent announcements have calmed those concerns, although the mainland Chinese government's targeting of junket operations and VIP gaming will impact gross gaming revenue and the Macau government's tax receipts. The Company has no direct links to gaming, but the critical role that gaming plays in Macau's economy affects our operating environment and investor sentiment.

Against this backdrop, the improvement in Macau's economy during 2021 is mildly encouraging, although it remains a long way from its pre-pandemic performance. Macau continues to follow a "dynamic zero" strategy to control COVID, like mainland China and Hong Kong. Unlike those jurisdictions, however, whose economies are more diversified, Macau's economy is heavily reliant on two key industries – gaming and tourism – so the dynamic zero policy has not only reduced government revenues, but has also affected most aspects of the wider marketplace, including the luxury property sector, to which we are exposed.

Although the territory's public health achievements are noteworthy, the delays have hampered the pace of economic recovery. China remains Macau's only travel bubble, accompanied by vigorous controls. Broader travel bubbles would provide a welcome boost to sentiment and investor confidence. These two markets are critical to Macau's continued recovery, and particularly important when it comes to restoring some momentum at the upper end of the property market. Macau's real estate market remains subdued compared to markets in mainland Chinese cities and Hong Kong, as well as markets further afield, which have delivered growth and higher levels of activity. This is largely due to the limited diversity of Macau's economy.

A loosening of travel restrictions has appeared to be imminent on several occasions, but the recent surge in COVID cases in Hong Kong, and the imposition of strict public health measures in that city, will result in a further delay. In contrast to Macau, once strict "COVID-zero" countries such as Singapore, Australia and New Zealand are now moving to policies of "living with COVID". In the absence of a clear exit strategy from the mainland China-led dynamic zero model, we expect that the completion of our divestment programme will require more time than we had anticipated at the beginning of 2021.

Any relaxation of travel restrictions would be an welcome development. Although the property market in Macau continues to function, most transactions are still within the first-time-buyer segment of the market. Sales activity in the luxury segment has remained muted, however, which has fed into our property valuations.

Amid these circumstances, there are some signs of improvement, with higher inbound visitor numbers over the Christmas and New Year period. Many of the gaming concession proposals that had unsettled sentiment in the industry appear to have been abandoned, and the 10-year concession duration of each licence will provide a measure of confidence for casino operators. Moreover, a shift to mass-market gaming and a broadening of the tourism base will support Macau's longer-term future and help to cement its key position in the Greater Bay Area initiative, which is of major importance to the mainland Chinese government. This transition could nevertheless be challenging in the near term.

Financial performance

Our financial performance reflects the challenges we faced during the first half of our financial year.

The Company's unaudited adjusted net asset value (NAV) was US$121.5 million as at 31 December 2021. This is equivalent to US$1.96 (145 pence*) per share, and represents a decline of 5.7 % (3.2% in Sterling term) from the year end.

As at 31 December 2021, MPO's share price was 47.3 pence, representing a 67% discount to its adjusted NAV per share.

Our results reflect the profitable sale of a unit at *The Fountainside* and a reduction in debt of more than US$3.2 million. Debt service is our most significant operating cost, and reducing debt through sales is a key element of our near-term strategy.

The Company's aggregated cash and deposit balances were US$6.9 million as at 31 December 2021, of which US$2.9 million, representing a six-month interest reserve, was pledged as collateral for credit facilities. Cash resources of approximately US$4 million were available for the payment of operating costs, although this includes a US$3.5 million deposit from which any withdrawal for such purposes is subject to consent from the lender.

* Based on the following US Dollar/Sterling exchange rates 1.350 on 31 December 2021 and 1.386 on 30 June 2021.

Outcome of the 2021 Annual General Meeting

At our AGM in December, the Board and the Manager expressed their great appreciation for the overwhelming support of Shareholders for continuing the life of the Company to allow the completion of the ongoing divestment process on more favourable terms.

Divestment update

Amid a very challenging environment, the Manager has steadfastly pursued a variety of exit tactics, and has carefully coordinated marketing and sales processes within the constraints outlined in detail in its report. This management activity has included property visits and support for extensive due diligence requests among prospective buyers of our assets.

These efforts have yet to translate into tangible outcomes, but a clear strategy is being followed through that will include the sale of further individual units at *The Fountainside*. More significantly, any move to strata sales of units at *The Waterside* could have a positive effect on our results.

In the meantime, however, a modest recovery in leasing at *The Waterside* towards the end of 2021 was a positive development and an achievement for the leasing team. *The Waterside* retains its status as a premier property thanks to the quality of construction by the original Hong Kong-based developer, a high standard of management, and ongoing upgrades and improvements led by the Manager and its leasing team. In this context, there is a continued focus on the environmental impact and efficiency of new air conditioning units and kitchen appliances. These are solid examples of such attention to detail that we believe will translate into stronger leasing activity and more attractive sales options.

The redevelopment of units at *The Fountainside* is nearing completion, with reconfigured smaller apartments targeted at a more active segment of the property market. The creation of two additional car-parking spaces should also create readily saleable assets. The four larger units at *The Fountainside* will continue to be marketed, although current mortgage limits remain a challenge for prospective buyers.

Penha Heights is an attractive asset that has drawn several viewings, but prevailing "wait and see" sentiment among prospective investors has deterred any from making a purchase. Ongoing travel restrictions mean that more time may be required to achieve a sale. When sentiment improves, this asset may become very much in demand, especially if planning conditions are improved or simplified to broaden its appeal to developers.

Corporate governance and appointment of director

Corporate governance has remained high on our agenda, with physical meetings resuming in Guernsey. I am also pleased to report that our extensive search for a new Director has been concluded, with the appointment of Carmen Ling to the Board. The recruitment process required an extended duration due to the travel challenges involved.

Ms Ling is a Hong Kong resident, and brings a diverse set of financial skills and experience to the Board, including a background in banking and real estate, and a deep understanding of the Chinese market. This knowledge is important, as travel by other members of the Board remains subject to restrictions. Ms Ling will be joining our Board for a shorter duration than other, equivalent appointments, and we appreciate her commitment in these extraordinary circumstances.

We look forward to working with our new colleague, who has already spent time with the Manager's team in Hong Kong.

I should also like to take this opportunity to express my personal thanks to Wilfred Woo for his many years of service and considerable contribution to our Board functions. His diligent approach and perspective have been most valuable, especially during the past two years, as travel has been so restricted.

Manager's fees

As prefaced in our earlier reports, we continue to drive down costs where possible. We have also previously outlined our intention to agree a revised fee payable to the Manager in 2022, contributing to its operating costs and to continue to provide incentives for an early disposal of our assets. Full details are set out on page 49 of these accounts.

A properly resourced Manager is essential to see the Company through the current challenges and conclude an optimal divestment of our remaining assets. The Manager has worked with the Board and taken all appropriate steps to slim down its operations while retaining the necessary capacity to deliver a wide range of functions for as long as we retain our current assets.

Similarly, managing our debt and debt-servicing costs is critical, as this is our single largest expense. The Manager's success in restructuring our debt is commendable, and a key component of our ability to navigate through the near-term challenges. More details on our current loan facilities can be found on page 44 of these accounts.

Summary

In conclusion, with continued prudent capital management and the hard work of our team, we believe the Company can weather the conditions that have temporarily disrupted our divestment plans. We remain dedicated to achieving our asset disposal objectives, albeit over a longer time frame than we had originally anticipated.

MARK HUNTLEY
CHAIRMAN
MACAU PROPERTY OPPORTUNITIES FUND LIMITED
25 February 2022

Manager's Report

FINANCIAL OVERVIEW

	31 December 2021	30 June 2021
NAV (IFRS) (US$ million)	**93.2**	97.9
NAV per share (IFRS) (US$)	**1.51**	1.58
Adjusted NAV (US$ million)	**121.5**	128.8
Adjusted NAV per share (US$)	**1.96**	2.08
Adjusted NAV per share (pence)[1]	**145**	150
Share price (pence)	**47.3**	67.5
Share price discount to Adjusted NAV per share (%)	**67%**	55%
Portfolio valuation (US$ million)	**259.4**	265.4
Loan-to-value ratio (%)	**50.0%**	49.3%

1 Based on the following US Dollar/Sterling exchange rates 1.350 on 31 December 2021 and 1.386 on 30 June 2021.

Financial Review

For 2021, Macau's economy closed the year in a better position compared to 2020, with gaming and tourism gaining some lost ground. However, the territory's economic engines were operating at about 20% of their pre-pandemic levels.

H2 2021 opened with a series of new challenges arising from the pandemic as highly transmissible variants such as Delta and Omicron posed threats to Macau's public health system. The challenges were compounded by the pursuit of a zero-COVID strategy in Macau, mainland China and Hong Kong which saw the authorities taking drastic measures such as tightening border controls, instituting mass testing and locking down cities. Together, these have introduced additional uncertainty and instability in Macau's economy, which has made investors continue hesitating over large investments, thus delaying and disrupting MPO's divestment plans.

The absence of any concrete plans on "living with COVID" and a clear exit strategy from the zero-COVID policy are also of concern as it is unclear how long the harsh measures will continue in place.

Half-Year Financial Results

The value of MPO's portfolio, which now comprises three main assets, was US$259.4 million as at 31 December 2021. On a like-for-like comparison, the valuation slightly declined by 1.7% over the six-month period.

Adjusted Net Asset Value (NAV) was US$121.5 million, which translates to US$1.96 (145 pence) per share, a decline of 5.7% over the period. IFRS NAV was US$93.2 million as of the period's end, equating to US$1.51 (112 pence) per share, a decline of 4.8%.

As at 31 December 2021, MPO's share price was 47.3 pence, representing a 67% discount to its Adjusted NAV per share.

Capital Management

As at 31 December 2021, MPO had total assets worth US$238.2 million, offsetting combined liabilities of US$145.0 million. The Company's aggregated cash and deposit balances were US$6.9 million, of which US$2.9 million, representing a six-month interest reserve, was pledged as collateral for credit facilities. Furthermore, a US$3.5 million deposit has restrictions on its use with any withdrawal for the payment of operating costs requiring consent from the lender. Gross borrowing stood at US$133.3 million, equating to a loan-to-value ratio of 50.0%.

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

Company Life Extended, Fee Structure

Macau's pursuit of a zero-COVID strategy throughout 2021 has resulted in COVID-19 travel restrictions which have severely curtailed the Manager's efforts to divest the portfolio properties, and as a result a shareholder resolution was proposed and subsequently passed at the Company's Annual General Meeting in December 2021, to extend the life of the Company for a further year to facilitate the orderly divestment of the portfolio. The Manager thanks all shareholders for their recognition of the current challenges and their continued support.

The divestment of all remaining assets continues to be the highest priority of the Company. Although the zero-COVID environment in Macau continues to delay and disrupt divestment plans, the Manager is seeking all possible ways to divest the assets for the benefit of shareholders.

The Board and the Manager also reached agreement over variations to the management fees and other fees payable to the Manager in February 2022. The key elements of the new arrangements are a flat management fee of $100,000 per month from February 2022 (following an interim payment of $99,000 in January 2022). Realisation fees will continue to be payable on the same terms as in 2021 (using the 30 September 2019 valuation basis for calculating any fees due) with all fees payable subject to an overall cap of $1.78 million. The extra incentive payment of 1 per cent. if all assets are sold in the year falls away and the Manager is also subject to a revised six month notice period.

Portfolio Updates

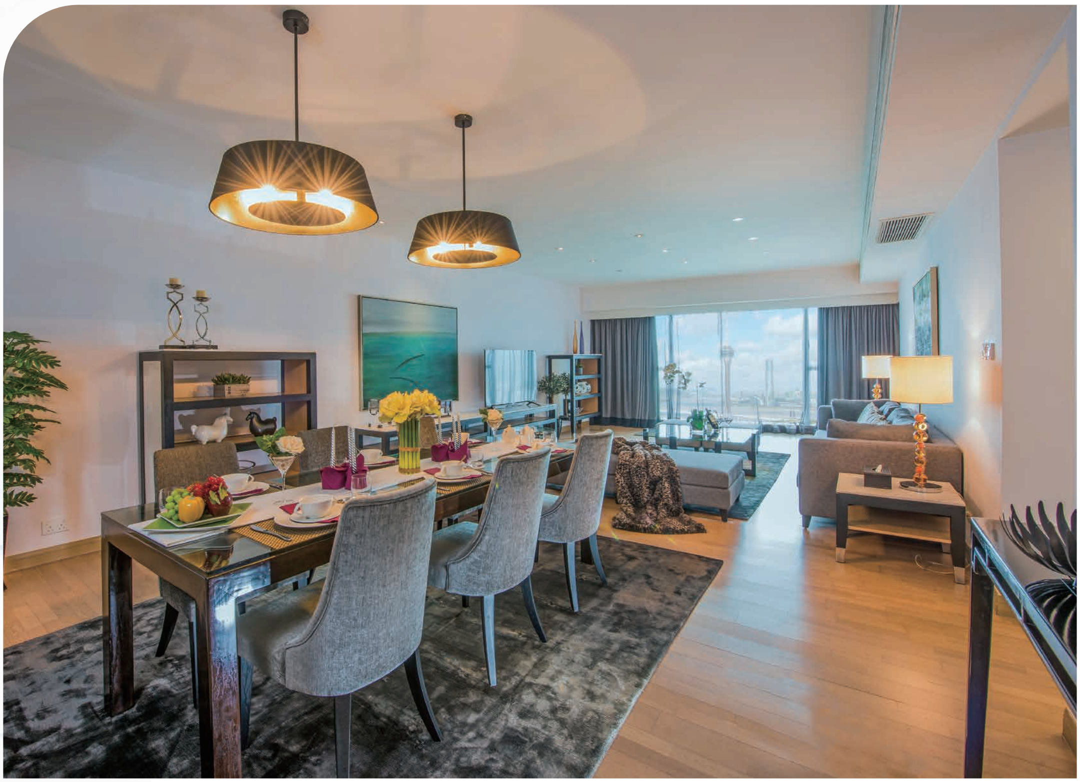
PORTFOLIO OVERVIEW AS AT 31 DECEMBER 2021

	Sector	No. of Units	Costs (US$ million)	Market Valuation (US$ million)	Changes in Market Value Since 30 June 2021	Composition (Based on market value)
The Waterside *Tower Six of One Central Residences**	Luxury residential	59	101.2	196.4	-1.6%	75.7%
The Fountainside**	Low-density residential	6	6.1	19.1	-3.0%	7.4%
Penha Heights	Luxury residential	-	28.6	43.9	-1.6%	16.9%
Total			**135.9**	**259.4**	**-1.7%**	**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 2021 to reflect like-for-like comparisons to 31 December 2021 due to property sales during the period.

The Waterside

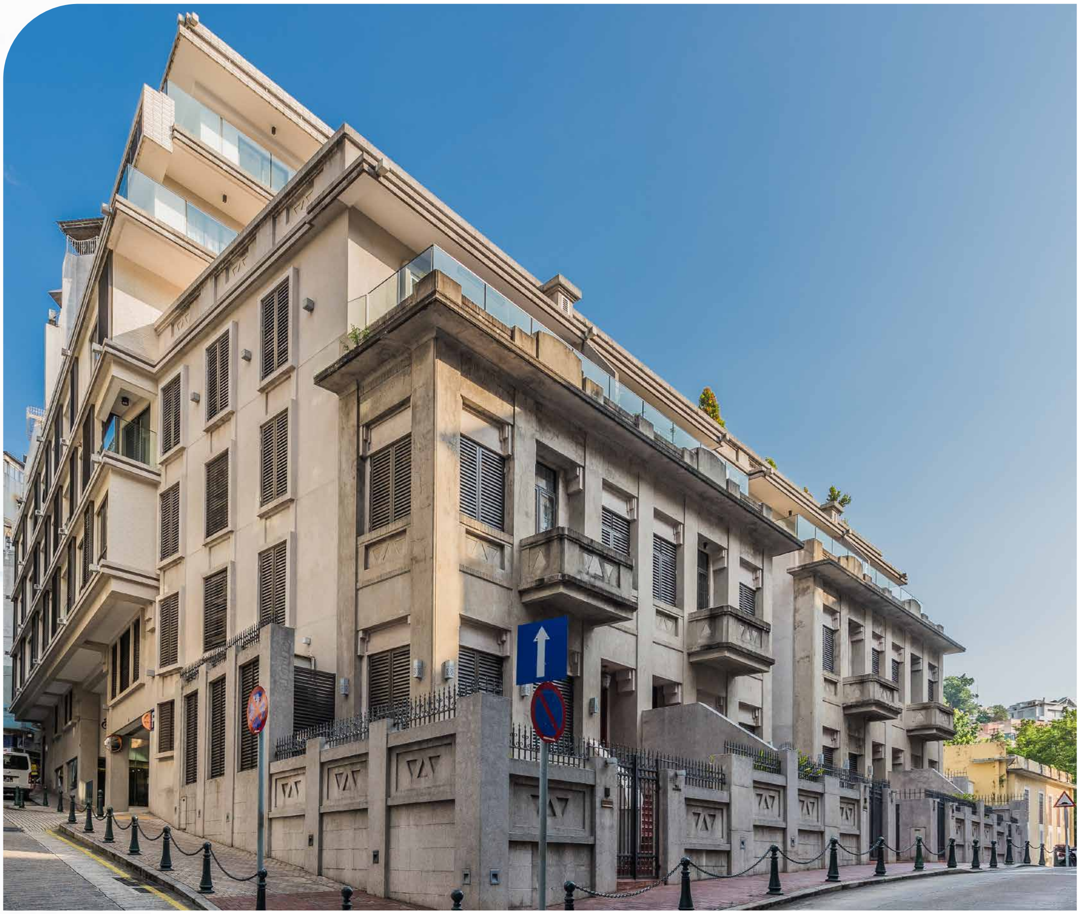


The Waterside

The Waterside is MPO's landmark development in downtown Macau, comprising 59 luxury residential apartments for lease. As of the end of 2021, around 30% of The Waterside's units were occupied, and the average rent stood at US$2.3 per square foot per month.

Leasing demand for luxury property in Macau remains subdued due to ongoing travel restrictions. COVID-19 outbreaks and three rounds of city-wide COVID testing in H2 2021 have also affected sentiment towards the territory's economy. Market conditions have challenged efforts to secure the sale of this asset. There remains active investor interest, however, aided by the fact that each apartment has a separate strata title.

The Fountainside



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.

The sale of the last remaining standard-type unit was completed for HK$11.8 million (US$1.5 million, in line with its latest valuation) in August 2021, bringing to an end the divestment of all 36 standard units at the property.

There are six remaining units. Reconfiguration work on the two duplex units has commenced and is now expected to be largely complete in Q1 2022. In this regard, there have been additional unexpected requests from the authorities which resulted in a longer than planned work schedule. Once completed, three new smaller, more marketable units and two new parking spaces will be available for sale, with sales activity expected to commence in April. We are also continuing to market the property's four villas.

Penha Heights

Penha Heights

Penha Heights is a prestigious, colonial-style villa with a gross floor area of approximately 12,000 sq ft perched above the exclusive residential enclave of Penha Hill and surrounded by lush greenery.

A series of enhancement works to refresh the property's external and internal features was undertaken during the pandemic-induced quiet period. The Manager has also completed additional enhancements including roof-tiling, waterproofing, paint work, as well as upgrading the electric front gates for added privacy and aesthetics. Positive feedback regarding these works has been received.

Despite increased sales and marketing efforts, the potential pool of buyers currently remains limited, a situation that will persist as long as travel restrictions continue to inhibit viewings of the property by potential investors from outside Macau. Nevertheless, ongoing viewings are taking place and we will continue to work with specialist agents to explore all possible channels for an optimal exit from the asset.

Macroeconomic Outlook

Macau manages threat posed by new COVID-19 variants

In H2 2021, many countries across the globe grappled with the COVID-19 challenges posed by the highly transmissible Delta and Omicron variants, facing record-breaking cases and deaths which threatened to overwhelm healthcare systems. Nevertheless, the successful deployment of COVID vaccines and boosters have emboldened many countries to begin shifting towards the new normal of "living with COVID".

In stark contrast, since the beginning of the pandemic, Macau has recorded a total of 79 COVID-19 cases and no deaths. As of the end of 2021, around 75% of Macau's population had been fully vaccinated against the virus, and around 80% had received at least one vaccine dose. Booster shots have been available since early November.

Zero-COVID strategy

Macau's remarkable COVID numbers are the result of its zero-COVID strategy which mirrors that of mainland China and Hong Kong, where the authorities are determined to control outbreaks by deploying all tools available in the public health arsenal including strict travel restrictions, mass testing and lockdowns. This approach has been decried by critics as being futile against highly transmissible variants like Omicron. Furthermore the draconian measures have caused economic disruptions and uncertainty, labour shortages, as well as mental health issues among the wider population.

Macau authorities had on three occasions during this reporting period instituted city-wide mass testing and closed non-gaming entertainment outlets in response to local clusters, which were contained. Quarantine-free travel requirements for mainland Chinese visitors from COVID hotspots were also periodically tightened to manage risks. Notably, the Golden Week in October, a peak travel period, was impacted by such restrictions. In January 2022, all incoming flights to Macau were halted for 14 days, except for those from mainland China after several travellers tested positive for COVID-19 while undergoing hotel quarantine in the territory.

In mainland China, efforts to contain the virus were ramped up ahead of the Beijing Winter Olympics in February. Among the drastic steps taken were locking down cities such as Xian, Tianjin, Dalian, Shenzhen and Ningbo. Such measures inevitably impacted and may continue to affect visitor numbers to Macau.

The proposed travel bubble involving mainland China, Macau and Hong Kong is also a casualty of the zero-COVID strategy as it has been postponed several times as Hong Kong struggled to manage its COVID cases. The latest postponement at the end of 2021 was particularly disappointing for Macau businesses as advanced preparations for its launch were in progress, including a new health code to facilitate travel by Hong Kong residents to mainland China and Macau.

The absence of an exit strategy from zero-COVID and plans on “living with COVID” in Macau and mainland China is concerning as Macau’s economic engines — gaming and tourism — can only approach pre-pandemic levels when cross-border travel within Greater China is fully restored. There is speculation that the strategy may continue beyond the Winter Olympics until the Chinese Communist Party’s 20th National Party Congress which is scheduled for the autumn of 2022.

Economy hit by zero-COVID

The return of mainland Chinese tourists since Q3 2020 has driven a gradual recovery of the territory’s economy, but this has been subject to setbacks throughout H2 2021 as ongoing COVID flare ups in mainland China and Hong Kong affected the ease of travel to Macau. While gross domestic product (GDP) is forecast by Fitch Ratings to grow by 25% for FY 2021, GDP remains well below pre-pandemic levels.

Policy Address continues to emphasise integration into the Greater Bay Area

Macau Chief Executive, Ho Iat Seng, delivered his annual Policy Address in November. He emphasised the policies of mainland China, including the diversification of Macau’s economy to integrate with the Greater Bay Area. He also highlighted the priority placed on managing the pandemic and stabilising Macau’s economic recovery. These themes also featured prominently in his New Year address.

A turbulent period for gaming

Macau's gross gaming revenue (GGR) grew 43.7% YoY for FY2021 to MOP86.86 billion (US$10.82 billion). However, this was approximately 20% of pre-pandemic GGR in 2019.

The industry faced several challenges in H2 2021. There were disruptions as the Macau authorities tightened their border control measures in response to COVID-19 outbreaks in mainland China.

In addition, the industry was rocked by the arrest of the CEO of Suncity, Macau's largest junket operator, in November. It was particularly concerning as the allegations of illegality were centred on activities considered to be in the ordinary course of business for junket operators. This was followed by a regulatory ban on junkets extending credit to clients, which led to the closure of junket operations throughout Macau's casinos. Although VIP gaming had been in decline for several years, its abrupt end will see a loss of approximately 30% of GGR for the industry.

The public consultation on the new gaming laws for Macau caused a stir as the government put forward several proposals, including appointing government delegates to the boards of concessionaires. This would have required casino operators to obtain prior government approval before paying dividends. Gaming tax increases were also proposed. Nevertheless, industry concerns were addressed as the government published the results of the public consultation and its responses, which indicated that the three contentious proposals would be dropped from the draft bill. It also suggested that there is likely to be a maximum of six concessions available for tender for a period of ten years, with possible extensions for a further three years. Industry players had commented positively on the transparency of the public consultation and clarification provided by the government.

Tourism began to recover following the relaxation in travel and visa restrictions for mainland Chinese

Despite the disruptions caused by the prevailing zero-COVID strategy in Macau, and mainland China being its main source of in-bound tourists, Macau's tourist arrivals grew 31% YoY in 2021 to 7.7 million, which is approximately 20% of pre-pandemic 2019 numbers.

Mainland Chinese accounted for 7 million visitors, with 4.1 million arriving from the nine main cities in the Greater Bay Area. The visitors from the Greater Bay Area had leapt 60% YoY in 2021.

The average length of stay increased by 0.2 of a day YoY to 1.6 days, with overnight visitors recording longer stays of 3.2 days, up by an average of 0.4 of a day compared to 2020. There were nearly 3.7 million overnight visitors, a 31% YoY increase, accounting for 48% of total visitors.

The pipeline of new resorts continues to expand with Melco Resorts and Entertainment Ltd's plans to open Macau's first W Hotel on Cotai as part of its expansion of its Studio City property. Targeting a December 2022 launch, the hotel will offer premium facilities including 557 guest rooms and 11,840 square feet of event and meeting space.

Property Market Overview

Impacted by renewed concerns over COVID created by the outbreaks and mass testing, Macau's residential property market remained relatively quiet in Q4 2021, with a total of 1,173 transactions – a decline of 26% YoY and the luxury end of the market remained stagnant affected by external factors and muted by current sentiment. For the full year, a total of 5,970 residential units were transacted, down 7% YoY. Overall, prices remained largely stable at US$1,170 per square foot. First-time buyers accounted for 83% of all transactions, second time buyers accounted for 14%, and the remaining 3% were buyers purchasing residential properties for at least the third time.

Within the Greater Bay Area, luxury home sales in Hong Kong were unabated amid the pandemic and achieved a few record highs in 2021. The value of transactions involving properties worth more than HK$100 million (US$12.8 million) in the first 11 months of the year reached HK$46.4 billion (US$5.95 billion), 60% higher than the value for full-year 2020. This is remarkable against a backdrop of closed borders and global economic uncertainties. Such demand is largely underpinned by founders and senior executives of Chinese companies in the "new economies" segment recently listed on Hong Kong's stock exchange.

Given Macau's track record on public health, alongside infrastructure and connectivity improvements, investors may look to the territory's luxury property market, prices of which are at a five-year low, as they return to the Greater Bay Area and economic activity in the region resumes more fully.

Looking Ahead

Macau, Hong Kong and mainland China are maintaining stringent zero-COVID policies that are expected to remain in place for some time. Macau's economy will remain vulnerable to disruption by COVID outbreaks on the Chinese mainland and locally, as seen in H2 2021, and more recently in January 2022, with the 14-day ban on international flights to Macau to curb the spread of the Omicron variant.

On the overall economy, as noted by the Economist Intelligence Unit, beneath Macau's current growth rates lies economic fragility as COVID-19 has decimated its two main economic activities – inbound tourism and gaming – and as such, Macau's economy will not be able to return to pre-COVID levels until 2023 at the earliest. It has nonetheless forecast that Macau's GDP will expand by 21% YoY in 2022.

In terms of gaming, Fitch Ratings expects Macau's GGR to pick up in 2022, particularly if the travel bubble with Hong Kong goes into operation. This would boost the gaming and tourism industry and contribute to a potential spill-over into the retail and the property sectors. Morgan Stanley's forecast for GGR in 2022 and 2023 are, respectively, 42% and 70% of 2019's pre-pandemic numbers. These numbers are lower than previous forecasts, with 2022 numbers cut by 30% and 2023 cut by 20% based on a recovery described as "choppy".

Tourism is also set to grow incrementally, with the Macau Government Tourism Office forecasting 10 million arrivals in 2022. However, the underlying assumptions - the launch of a travel bubble with Hong Kong and the resumption of the e-visa programme for mainland Chinese visitors – are likely to take a backseat in the coming months given the current escalation of COVID-19 outbreaks in both Hong Kong and mainland China.

Nevertheless, the Macau government has warned that the economic conditions are expected to remain challenging in 2022 and a recovery from the pandemic will take time. It has consistently also outlined specific plans for Macau's role within the Greater Bay Area to diversify its economy away from gaming and turn the territory into the area's technology and tourism hub. Although the plan is still in its early stages, the potential for the property market to gain from such measures is clear.

Restrictions on travellers from other countries will, however, limit the number of potential buyers of the Company's properties and continue to disrupt the Company's divestment plan in the near term. We will continue to pursue a variety of strategies for divestment of the remaining assets on acceptable terms and within current market conditions. A reduction of debt followed by a return of capital to Shareholders in the shortest possible timeframe remains the primary objective.

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 as adopted by the European Union; 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
25 February 2022

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

As at 31 December 2021

	Note	Unaudited 31 Dec 2021 US$'000	Unaudited 31 Dec 2020 US$'000	Audited 30 Jun 2021 US$'000
ASSETS				
Non-current assets				
Investment property	3	**196,450**	199,944	199,629
Deposits with lenders	4	**6,416**	6,668	6,657
Trade and other receivables		**16**	111	111
		202,882	206,723	206,397
Current assets				
Inventories	6	**34,725**	35,592	34,924
Trade and other receivables		**124**	454	503
Deposits with lenders	4	**-**	175	175
Cash and cash equivalents	5	**531**	8,409	5,003
		35,380	44,630	40,605
Total assets		**238,262**	251,353	247,002
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	13	**618**	618	618
Retained earnings		**77,182**	83,636	81,440
Distributable reserves		**15,791**	15,791	15,791
Foreign currency translation reserve		**(364)**	222	56
Total equity		**93,227**	100,267	97,905
LIABILITIES				
Non-current liabilities				
Deferred taxation provision	12	**11,431**	11,819	11,786
Taxation provision	12	**418**	578	705
Interest-bearing loans	7	**103,165**	97,404	114,624
		115,014	109,801	127,115
Current liabilities				
Trade and other payables		**955**	1,335	1,176
Interest-bearing loans	7	**29,066**	39,950	20,806
		30,021	41,285	21,982
Total liabilities		**145,035**	151,086	149,097
Total equity and liabilities		**238,262**	251,353	247,002
Net Asset Value per share (US$)	9	**1.51**	1.62	1.58
Adjusted Net Asset Value per share (US$)	9	**1.96**	2.14	2.08

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 25 February 2022.

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 2021 to 31 December 2021

	Note	**Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US$'000**	Unaudited 6 months 1 Jul 2020– 31 Dec 2020 US$'000	Audited 12 months 1 Jul 2020– 30 Jun 2021 US$'000
Income				
Income on sale of inventories	6	**1,515**	8,241	9,863
Rental income		**567**	670	1,231
		2,082	8,911	11,094
Expenses				
Net loss from fair value adjustment on investment property	3	**2,530**	122	245
Cost of sales of inventories	6	**522**	4,160	4,787
Management fee	11	**600**	736	1,336
Realisation fee	11	**23**	217	217
Non-executive directors' fees	11	**92**	94	196
Auditors' remuneration: audit fees		**70**	58	134
Auditors' remuneration: non-audit fees		**-**	-	8
Property operating expenses		**705**	766	1,577
Sales and marketing expenses		**85**	607	717
General and administration expenses		**313**	296	552
Loss/(Gain) on foreign currency translation		**4**	(8)	(18)
		(4,944)	(7,048)	(9,751)
Operating (loss)/profit for the period/year		**(2,862)**	1,863	1,343
Finance income and expenses				
Bank loan interest	7	**(1,404)**	(1,737)	(3,230)
Other financing costs		**(212)**	(169)	(367)
		(1,616)	(1,906)	(3,597)
Loss for the period/year before tax		**(4,478)**	(43)	(2,254)
Taxation	12	**220**	(237)	(222)
Loss for the period/year after tax		**(4,258)**	(280)	(2,476)
Items that may be reclassified subsequently to profit or loss				
Exchange difference on translating foreign operations		**(420)**	(29)	(195)
Total comprehensive loss for the period/year		**(4,678)**	(309)	(2,671)
Loss attributable to:				
Equity holders of the Company		**(4,258)**	(280)	(2,476)
Total comprehensive loss attributable to:				
Equity holders of the Company		**(4,678)**	(309)	(2,671)

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

For the six-month period from 1 July 2021 to 31 December 2021

	Note	**Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US$**	Unaudited 6 months 1 Jul 2020– 31 Dec 2020 US$	Audited 12 months 1 Jul 2020– 30 Jun 2021 US$
Basic and diluted loss per Ordinary Share attributable to the equity holders of the Company during the period/year	8	**(0.0689)**	(0.0045)	(0.0400)

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

The notes on pages 39 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 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)**
Items that may be reclassified subsequently to profit or loss					
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 six-month period from 1 July 2020 to 31 December 2020 (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 2020	618	83,916	15,791	251	100,576
Loss for the period	-	(280)	-	-	(280)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(29)	(29)
Total comprehensive loss for the period	-	(280)	-	(29)	(309)
Balance carried forward at 31 December 2020	618	83,636	15,791	222	100,267

Movement for the year from 1 July 2020 to 30 June 2021 (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 2020	618	83,916	15,791	251	100,576
Loss for the year	-	(2,476)	-	-	(2,476)
Items that may be reclassified subsequently to profit or loss					
Exchange difference on translating foreign operations	-	-	-	(195)	(195)
Total comprehensive loss for the year	-	(2,476)	-	(195)	(2,671)
Balance carried forward at 30 June 2021	618	81,440	15,791	56	97,905

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 2021 to 31 December 2021

	Note	**Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US$'000**	Unaudited 6 months 1 Jul 2020– 31 Dec 2020 US$'000	Audited 12 months 1 Jul 2020– 30 Jun 2021 US$'000
Net cash (used in)/generated from operating activities	10	**(424)**	5,804	5,952
Cash flows from investing activities				
Capital expenditure on investment property	3	**(218)**	(122)	(245)
Movement in pledged bank balances		**416**	(2,390)	(2,379)
Net cash generated from/(used in) investing activities		**198**	(2,512)	(2,624)
Cash flows from financing activities				
Proceeds from bank borrowings		**9,383**	69,658	101,747
Repayment of bank borrowings		**(12,155)**	(78,045)	(111,699)
Interest and bank charges paid		**(1,425)**	(2,570)	(4,419)
Net cash used in financing activities		**(4,197)**	(10,957)	(14,371)
Net movement in cash and cash equivalents		**(4,423)**	(7,665)	(11,043)
Cash and cash equivalents at beginning of period/year		**5,003**	16,078	16,078
Effect of foreign exchange rate changes		**(49)**	(4)	(32)
Cash and cash equivalents at end of period/year		**531**	8,409	5,003

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 2021 to 31 December 2021

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 2021 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 2021 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 Manager's Report on page 12.

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 have been approved for issue by the Board of Directors on 25 February 2022.

1 Significant accounting policies

Basis of accounting

The annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union; 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 2021.

New and amended standards and interpretations applied

The following amendments to existing standards and interpretations are effective for the year ended 30 June 2022 and therefore were applied in the current period but did not have a material impact on the Group:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39– IBOR reform

- Amendments to IFRS 16 – COVID-19 rent concessions

For the six-month period from 1 July 2021 to 31 December 2021

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 2021, 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 2021 extending the Fund's life until 22 December 2022, assessed whether the continuation vote before the end of 2022 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 2022 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 December 2022 agreed at the Annual General Meeting on 22 December 2021 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 had a negative effect on the valuation of the Group's investment portfolio. A sale transaction completed in the current period. The pandemic 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.

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.

3. Investment property

	Unaudited 1 Jul 2021– 31 Dec 2021 US$'000	Unaudited 1 Jul 2020– 31 Dec 2020 US$'000	Audited 1 Jul 2020– 30 Jun 2021 US$'000
At beginning of the period/year	**199,629**	199,988	199,988
Capital expenditure on property	**218**	122	245
Fair value adjustment	**(2,530)**	(122)	(245)
Exchange difference	**(867)**	(44)	(359)
Balance at end of the period/year	**196,450**	199,944	199,629

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 ordinarily meets with the valuer and reviews the latest valuations based on their knowledge of the property market and compare these to previous valuations. These meetings have been suspended since 2019.

The Group's investment properties were revalued at 31 December 2021 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 12 in relation to deferred tax liabilities on investment property.

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

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

For the six-month period from 1 July 2021 to 31 December 2021

3. Investment property (continued)

Rental income arising from *The Waterside* of US$566,000 (6 months ended 31 December 2020: US$670,000, 12 months ended 30 June 2021: US$1,230,000) was received during the period. Direct operating expenses of US$451,000 (6 months ended 31 December 2020: US$481,000, 12 months ended 30 June 2021: US$956,000) arising from rented units were incurred during the six-month period. Direct operating expenses during the period arising from vacant units totalled US$200,000 (6 months ended 31 December 2020: US$197,000, 12 months ended 30 June 2021: US$395,000).

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

	Property information	Carrying amount/ fair value as at 31 December 2021: US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	196,450	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$17.6 psf (30 June 2021: HK$17.8 psf)	Age of building
Type	Residential/Completed apartments			Term yield (exclusive of management fee and furniture)	1.4%–2.2% (30 June 2021: 1.4%–2.2%)	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$14.07 psf (30 June 2021: HK$15.6 psf)	
				Reversionary yield	1.55% (30 June 2021: 1.7%)	

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$10 million (6 months ended 31 December 2020: US$10 million, 12 months ended 30 June 2021: US$10 million) or decrease by US$10 million (6 months ended 31 December 2020: US$10 million, 12 months ended 30 June 2021: US$10 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$9 million (6 months ended 31 December 2020: US$10 million, 12 months ended 30 June 2021: US$10 million) or increase by US$10 million (6 months ended 31 December 2020: US$11 million, 12 months ended 30 June 2021: US$10 million).

The same valuation method was deployed in June 2021 and December 2021.

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

For the six-month period from 1 July 2021 to 31 December 2021

3. Investment property (continued)

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

Deposits with lenders represent deposits that are restricted as to usage pursuant to the terms of the banking facilities granted to the Group. Deposits amounting to US$6.4 million (31 December 2020: US$6.7 million, 30 June 2021: US$6.8 million) were associated with long-term banking facilities and classified as non-current assets, of which US$2.9 million (31 December 2020: US$1.4 million, 30 June 2021: $1.4 million) represented a six-month interest reserve pledged as collateral for credit facilities. The remainder of the balance represents a deposit from which any withdrawal for payment of operating costs is subject to consent from the lender. There are no other significant terms and conditions associated with these pledged bank balances.

	Unaudited 31 Dec 2021 US$'000	Unaudited 31 Dec 2020 US$'000	Audited 30 Jun 2021 US$'000
Non-current	**6,416**	6,668	6,657
Current	**-**	175	175
	6,416	6,843	6,832

5. Cash and cash equivalents

In addition to cash and cash equivalent balances of US$531,000, additional deposits with lenders of US$3.5 million are available to meet operating costs, subject to lender approval (see Note 4).

6. Inventories

	Unaudited 1 Jul 2021– 31 Dec 2021 US$'000	Unaudited 1 Jul 2020– 31 Dec 2020 US$'000	Audited 1 Jul 2020– 30 Jun 2021 US$'000
Cost			
Balance brought forward	**34,924**	39,631	39,631
Additions	**475**	128	146
Disposals	**(522)**	(4,159)	(4,782)
Exchange difference	**(152)**	(8)	(71)
Balance carried forward	**34,725**	35,592	34,924

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 2021 amounts to US$34,725,000 (6 months ended 31 December 2020: US$35,592,000, 12 months ended 30 June 2021: US$34,924,000). Net realisable value as at 31 December 2021 as determined by the independent, professionally-qualified valuer, Savills, was US$62,319,000 (6 months ended 31 December 2020: US$66,848,000, 12 months ended 30 June 2021: US$65,114,000).

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. Inventories (continued)

During the year ended 30 June 2021, four residential units and one car parking space of *The Fountainside* and one individual unit of One Central Residences were sold for a total consideration of US$9.9 million (HK$76.5 million) against a total cost of US$4.8 million (HK$37.1 million) which resulted in a net profit of US$5.1 million (HK$39.4 million) after all associated fees and transaction costs.

During the period ended 31 December 2020, three residential units and one car parking space of *The Fountainside* and one individual unit of One Central Residences were sold for a total consideration of US$8.2 million (HK$63.9 million) against a total cost of US$4.1 million (HK$32.3 million) which resulted in a net profit of US$4.1 million (HK$31.6 million) after all associated fees and transaction costs.

7. Interest-bearing loans

	Unaudited 31 Dec 2021 US$'000	Unaudited 31 Dec 2020 US$'000	Audited 30 Jun 2021 US$'000
Bank loans - Secured			
- Current portion	**29,066**	39,950	20,806
- Non-current portion	**103,165**	97,404	114,624
	132,231	137,354	135,430

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.

As at 31 December 2021, three tranches remained outstanding. Tranche 6 had an outstanding balance of HK$108 million (US$13.8 million) (31 December 2020: HK$358 million (US$46.2 million), 30 June 2021: HK$108 million (US$13.9 million)); Tranche 7 had an outstanding balance of HK$512 million (US$65.7 million) (31 December 2020: HK$515 million (US$66.5 million), 30 June 2021: HK$515 million (US$66.4 million)); and Tranche 8 had an outstanding balance of HK$238 million (US$30.5 million) (31 December 2020: HK$nil (US$nil), 30 June 2021: HK$250 million (US$32.2 million)).

For the six-month period from 1 July 2021 to 31 December 2021

7. Interest-bearing loans (continued)

Hang Seng Bank (continued)

The interest rates applicable to Tranche 6 of the term loan is 1.9% per annum over the 1-, 2- or 3-month HIBOR rate. The interest rates applicable to Tranche 7 and Tranche 8 is 1.8% per annum over the 1-, 2-or 3-month HIBOR rate. The choice of rate is at the Group's discretion. Tranche 3, Tranche 4 and Tranche 5 were fully repaid in September 2020. Tranche 6 matures in September 2022 and the principal is to be repaid in half-yearly instalments commencing from September 2020, with 25% of the principal due upon maturity. Tranche 7 matures in September 2025 and the principal is to be repaid in nine instalments commencing from December 2020 with 58% 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. The loan-to-value covenant is 60%. As at 31 December 2021, the loan-to-value ratio for the Hang Seng One Central facility was 55.97%. The facility is secured by means of a first registered legal mortgage over *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.

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

The Group has executed a loan facility with Hang Seng Bank to refinance the credit facility with the Industrial and Commercial Bank of China (Macau) Limited in relation to *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) for refinancing the loan facility with ICBC, which expired in March 2020. 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 was fully drawdown in March 2020 to repay the ICBC facility, while the facility of Tranche B in the amount of HK$3 million (US$0.4 million) was drawn down in October 2021. 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 27% of the principal due upon maturity while repayment for Tranche B is due in full at maturity in June 2022. 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 equal to six months' interest with the lender.

As at 31 December 2021, the facility had an outstanding balance of HK$42 million (US$5.4 million) (31 December 2020: HK$50.9 million (US$6.6 million), 30 June 2021: HK$39 million (US$5.0 million)). As at 31 December 2021, the loan-to-value ratio for this facility was 28.09%.

The Group has two loan facilities for *Estrãda da Penha*:

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 2021 and was subsequently renewed for another term of one year. Interest was revised to Prime Rate minus 2.25% per annum in June 2021. Repayment is due in full at maturity in June 2022. As at 31 December 2021, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2020: HK$70 million (US$9.0 million), 30 June 2021: HK$70 million (US$9.0 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 monthly on this loan facility. As at 31 December 2021, the loan-to-value ratio for this facility was 44.87%. There is no loan-to-value covenant for this loan.

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

For the six-month period from 1 July 2021 to 31 December 2021

7. Interest-bearing loans (continued)

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

During the period, the Group has 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 *Estrãda da Penha*. The facility amount is HK$70 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 and repayment is due in full at maturity in December 2023. As at 31 December 2021, the facility had an outstanding balance of HK$70 million (US$9.0 million) (31 December 2020: HK$79 million (US$10.2 million), 30 June 2021: HK$79 million (US$10.2 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 2021, the loan-to-value ratio for this facility was 37.63%.

Bank Loan Interest

Bank loan interest paid during the period was US$1,404,000 (6 months ended 31 December 2020: US$1,737,000, 12 months ended 30 June 2021: US$3,230,000). As at 31 December 2021, the carrying amount of interest-bearing loans included unamortised prepaid loan arrangement fee of US$1,043,000 (31 December 2020: US$1,084,000, 30 June 2021: US$1,212,000).

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 2021, the fair value of the financial liabilities was US$79,000 lower than the carrying value of the financial liabilities (31 December 2020: US$184,000 lower than the carrying value of the financial liabilities, 30 June 2021: US$72,000 higher 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.

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

For the six-month period from 1 July 2021 to 31 December 2021

8. 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 2021– 31 Dec 2021	Unaudited 6 months 1 Jul 2020– 31 Dec 2020	Audited 12 months 1 Jul 2020– 30 Jun 2021
Loss for the period/year (US$'000)	**(4,258)**	(280)	(2,476)
Weighted average number of Ordinary Shares ('000)	**61,836**	61,836	61,836
Basic and diluted loss per share (US$)	**(0.0689)**	(0.0045)	(0.0400)

9. Net asset value reconciliation

	Unaudited 31 Dec 2021 US$'000	Unaudited 31 Dec 2020 US$'000	Audited 30 Jun 2021 US$'000
Net assets attributable to ordinary shareholders	**93,227**	100,267	97,905
Uplift of inventories held at cost to market value	**28,224**	31,931	30,848
Adjusted Net Asset Value	**121,451**	132,198	128,753
Number of Ordinary Shares Outstanding ('000)	**61,836**	61,836	61,836
NAV per share (IFRS) (US$)	**1.51**	1.62	1.58
Adjusted NAV per share (US$)	**1.96**	2.14	2.08
Adjusted NAV per share (÷)*	**1.45**	1.57	1.50

* 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 2021 to 31 December 2021

10. Cash flows from operating activities

	Unaudited 6 months 1 Jul 2021– 31 Dec 2021 US$'000	Unaudited 6 months 1 Jul 2020– 31 Dec 2020 US$'000	Audited 12 months 1 Jul 2020– 30 Jun 2021 US$'000
Cash flows from operating activities			
Loss for the period/year before tax	**(4,478)**	(43)	(2,254)
Adjustments for:			
Net loss from fair value adjustment on investment property	**2,530**	122	245
Net finance costs	**1,616**	1,906	3,597
Operating cash flows before movements in working capital	**(332)**	1,985	1,588
Effect of foreign exchange rate changes	**1**	(8)	(18)
Movement in trade and other receivables	**474**	(88)	(137)
Movement in trade and other payables	**(400)**	(95)	(96)
Movement in inventories	**47**	4,031	4,636
Net change in working capital	**121**	3,848	4,403
Taxation paid	**(214)**	(21)	(21)
Net cash (used in)/generated from operating activities	**(424)**	5,804	5,952

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.

11. 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 2021– 31 Dec 2021 US$'000	Unaudited 6 months 1 Jul 2020– 31 Dec 2020 US$'000	Audited 12 months 1 Jul 2020– 30 Jun 2021 US$'000
Directors' fees	**92**	94	196

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 2021 were US$46,000 (31 December 2020: US$41,000, 30 June 2021: US$47,000).

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

For the six-month period from 1 July 2021 to 31 December 2021

11. Related party transactions (continued)

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 2020: US$736,000, 12 months ended 30 June 2021: US$1,336,000) at a quarterly fixed rate of US$300,000 per annum (fee of 1.0% per annum of the Net Asset Value until 31 December 2020, as adjusted to reflect the Property Investment Valuation Basis).

A realisation fee shall be payable on deals originated and secured by the Manager in 2020 and 2021 which shall be linked to the sales price achieved. 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. Realisation fees for the period totalled US$23,000 (6 months ended 31 December 2020: US$217,000, 12 months ended 30 June 2021: US$217,000). For the calendar year 2022, 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 2020, 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 time period for securing the realisation of all assets in order for the Manager to qualify for the Extra Incentive Fee may be extended for a further six month period subject to the satisfaction of certain conditions. In no circumstances will the 2020 Realisation fee and Incentive Fee exceed in aggregate US$5 million. The 2021 Realisation fee, active until 31 December 2021, (together with Incentive Fee (if any) during such period) shall not exceed in aggregate US$3.8 million. Incentive fees payable for the period totalled US$nil (6 months ended 31 December 2020: US$nil, 12 months ended 30 June 2021: US$nil).

A new agreement with the Manager was entered into with effect from 1 January 2022. A management fee of US$1,199,000 will be payable for 2022 with US$99,000 paid in January 2022 followed by monthly payments of US$100,000. A realisation fee shall be payable on the same terms as in 2021. In no circumstances will the aggregate of the 2022 management fee and realisation fee exceed US$1,780,000. Any realisation fees achieved on strata sales of units at *The Waterside* will be subject to the retention of 50% until all units have been sold. The Extra Incentive Fee is no longer applicable under the new agreement. Each aspect of these changes has been subject to a fair and reasonable assessment by Liberum. Any management fee proposals that may apply for 2023 will be included in resolutions to be put forward in the 2022 AGM.

All intercompany loans and related interest are eliminated on consolidation.

12. Taxation provision

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

	Unaudited 31 Dec 2021 US$'000	Unaudited 31 Dec 2020 US$'000	Audited 30 Jun 2021 US$'000
Non-current liabilities			
Deferred taxation	**11,431**	11,819	11,786
Provisions for Macanese taxations	**418**	578	705
	11,849	12,397	12,491

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

For the six-month period from 1 July 2021 to 31 December 2021

12. Taxation provision (continued)

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 2021– 31 Dec 2021 US$'000	Unaudited 1 Jul 2020– 31 Dec 2020 US$'000	Audited 1 Jul 2020– 30 Jun 2021 US$'000
Accounting loss before tax	**(4,478)**	(43)	(2,254)
Exempt from income tax in Guernsey	**-**	-	-
Movement in deferred tax provision	**304**	15	29
Movement in provision for Macanese taxations	**(84)**	(252)	(251)
At the effective income tax rate of (4.9)% (31 Dec 2020: 551.2%, 30 Jun 2021: 9.8%)	**220**	(237)	(222)

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 2021 to 31 December 2021

13. Share capital

Ordinary shares

	Unaudited 31 Dec 2021 US$'000	Unaudited 31 Dec 2020 US$'000	Audited 30 Jun 2021 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 2020: 61.8 million; 30 June 2021: 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 has renewed this authority at the 2021 Annual General Meeting.

14. Subsequent events

Carmen Ling was appointed as a Director on 24 February 2022.

Directors and Company Information

Directors
Mark Huntley (Chairman)
Alan Clifton
Carmen Ling (appointed 24 February 2022)
Wilfred Woo (resigned 22 December 2021)

Audit and Risk Committee
Alan Clifton (Chairman)
Mark Huntley
Carmen Ling (appointed 24 February 2022)
Wilfred Woo (resigned 22 December 2021)

Management Engagement Committee
Mark Huntley (Chairman)
Alan Clifton
Carmen Ling (appointed 24 February 2022)
Wilfred Woo (resigned 22 December 2021)

Nomination and Remuneration Committee
Alan Clifton (Chairman)
Mark Huntley
Carmen Ling (appointed 24 February 2022)
Wilfred Woo (resigned 22 December 2021)

Disclosure and Communication Committee
Mark Huntley (Chairman)
Alan Clifton

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