Macau Property Opportunities Fund

Annual Report for the year ended 30 June 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 gaming is legal.

Premium listed on the London Stock Exchange, the Company holds strategic property investments in Macau. Its current portfolio comprises prime residential assets valued at US$242.0 million as at 30 June 2022.

MPO is managed by Sniper Capital Limited, an Asia-based property investment manager with an extensive track record in fund management and investment advisory.

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Corporate Introduction

Macau Property Opportunities Fund Limited, a closed-end investment company, was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) on 18 May 2006, under registration number 44813. The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules 2008. The Company is premium listed on the London Stock Exchange.

Sniper Capital Limited, the Manager for Macau Property Opportunities Fund, is responsible for the day-to-day management of the Company's property portfolio and the identification and execution of divestment opportunities.

The Company is managed with the objective of realising the value of all remaining assets in its portfolio, individually, in aggregate or in any other combination of disposals or transaction structures, in a prudent manner. The overriding aim is to deliver cost-effective and timely divestment of the three remaining properties, to enable further returns of capital to the shareholders. The Company has ceased to make any new investments and will not undertake additional borrowings other than to refinance existing loans or for short-term working capital purposes.

The Board provides a diversity of ethnicity, of investment company and real estate experience and geographical perspective, coupled with an essential understanding of the unique features of Macau, its property market and the Company's portfolio. The Board has assessed that it has the capacity to fulfil its obligations in the context of the latest corporate governance guidelines, taking full account of the late phase divestment stage that the Company is in and its clearly defined business objectives.

Pursuant to resolutions passed at MPO's Annual General Meeting (AGM) in 2016, the Company is subject to annual continuation votes. The first, second, third and fourth Continuation Resolutions were passed at General Meetings held on 5 July 2018, 29 November 2019, 30 November 2020 and 31 December 2021, respectively. The next Continuation Resolution will be put to shareholders no later than 31 December 2022. **The Board will be recommending the continuation of the Company at the AGM, which is expected to be held in December. A Notice and Agenda of meeting will be issued in November 2022 together with an update on any developments.**

Currently 100% of Macau Property Opportunities Fund's investment portfolio is allocated to residential property investments in Macau.

Key Facts

Exchange
London Stock Exchange
Main Market

Symbol
MPO

Lookup
Reuters – MPO.L
Bloomberg – MPO:LN

Domicile
Guernsey

Shares In Issue
61,835,733

Shares Held in Treasury
Nil

Share Denomination
Pound Sterling,
Reporting currency US Dollars

Fee Structure
A realisation focused fee structure which incentivises the Manager to realise assets

Inception Date
5 June 2006

Amount Returned to Shareholders
US$173 million
Distributions US$97.4 M; Share buybacks US$75.3M

ADVISERS & SERVICE PROVIDERS

Company Secretary and Administrator
Ocorian Administration (Guernsey) Limited

Corporate Broker
Liberum Capital Limited

External Auditor
Deloitte LLP

Chairman's Message

I present my report for the financial year ended 30 June 2022, together with our perspective on the way forward for the Company.

The financial year is best described as one of exceptional challenges and frustrating developments associated primarily with Macau's continued response to COVID-19, which was in lock-step with that of China. It severely affected our planned divestments of assets, and has been compounded by a worsening economic environment in the territory.

Against this difficult backdrop, and in the context of prevailing market dynamics, the commencement of *The Waterside* strata sales programme and the completed sale of an initial four of 59 units at the development represent a notable achievement and an important step in our divestment strategy. The resulting reduced debt levels and improved loan-to-value (LTV) ratio were welcome, as was the release of working capital. Subsequently a further contracted sale of an apartment at *The Waterside* has been secured, with completion scheduled for November 2022.

Shortly after the first sales at *The Waterside,* and with negotiations related to other assets taking place, a major outbreak of COVID-19 in June 2022 saw Macau enter a period of lock-down and mass-testing which dampened sales momentum. Although sales and marketing have now recommenced in earnest, the timeline for delivering results will be extended. The divestment timeframe is influenced by sentiment regarding Macau's outlook and concerns over potentially intensified border restrictions in the near-term. Such matters are beyond the Company's control or influence.

To complement sales processes driven by the Manager, Hodes Weill, a seasoned global advisory firm, was appointed to market the portfolio to a carefully selected group of prospective investors. Although a number of prospects have carried out detailed due diligence, changing circumstances in Macau and the challenges around whole portfolio pricing have meant this process has yet to offer up any meaningful prospects. We continue to explore multiple avenues to achieve our divestment objectives. Further sales success represents one means by which we can advance towards the possibility of a full portfolio sale.

Although Macau's high-end real estate segment remained stagnant, sentiment in the broader marketplace was buoyed by increased clarity over the renewal of gaming licences, a lack of which had created a climate of uncertainty and speculation that has been largely dispelled. However, a sweeping clampdown by the Chinese authorities on junket operators in the gaming sector, and the impact of that move on VIP gaming revenues, had an adverse effect on the luxury property segment.

Much lower visitor numbers and reduced gaming activity translated into a downturn in the economy in Q4 2021 and well into 2022. Arrests of individuals associated with junket operations and the abrupt closure of high-profile operators such as Sun City prompted some unwelcome distressed property sales, which misrepresented the base-level in the luxury property market.

Macau and the COVID-19 response

At the start of the last financial year, we outlined developments that encouraged us towards the view that Macau could slowly emerge from the effects of COVID-19 restrictions. Developments signalling more relaxed COVID measures included reductions in quarantine periods, the opening of borders subject to health checks, and the reopening of Macau to certain categories of overseas visitors and workers. However, outbreaks of the more transmissible Omicron variant of the virus in mainland China and Hong Kong saw major Chinese cities locked down and stopped a gradual move to a pan-China and SAR travel bubble in its tracks. Visitor numbers remained erratic as outbreaks and related restrictions continued.

The emerging "dynamic zero" policy mandated by the Chinese government, which was also applied to Macau and, until recently, Hong Kong, severely reduced the essential visitor traffic required to rebuild the economy and bolster external investor confidence in the real estate market. Instead, we saw a series of restrictions that included lockdowns and changing quarantine restrictions that were difficult to predict. The dynamic zero policy protected Macau's population from infection, but at the cost of damaging the economy and investor confidence. A major COVID outbreak in Macau in June 2022 eclipsed previous infection clusters by some margin and claimed a small number of fatalities among elderly residents.

The lack of a quarantine-free travel bubble beyond the existing arrangement between Macau and certain parts of China resulted in a downturn in Macau's economy from Q4 2021 onwards. As it continued into 2022, it was further amplified by the June lockdown and the consequences of the collapse of junket gaming revenues.

Some of the leadership that we had hoped for in terms of a policy direction by the Macau government has not yet materialised. For Macau's luxury property market to move forward, a pan-China SAR travel bubble including Hong Kong would be a key positive change, reigniting the prospect of sales to an expanded pool of international and regional investors. However, even though opening up to the wider world would come as a welcome development, it is not seen as essential. With property valuations at comparably low levels, the nascent demand seen in the local market could very quickly translate into a re-rating of valuations and an increase in sales activity for what remains a very attractive, well-maintained portfolio of assets.

The negative impact of the dynamic zero COVID-19 policy on the mainland Chinese economy cannot be overlooked. Recent policy shift suggests that Chinese authorities are concerned about the outlook for the country's economy. The lowering of bank lending rates with a particular focus on the mortgage market suggests that the reported distress in the Chinese property sector is a growing concern and, by extension, the potential impact on the banking sector.

It is important to understand the perspective of the Chinese authorities and to respect the specific challenges posed by the pandemic, particularly those in relation to rural China, for instance where access to medical facilities is limited. The more recently emergent Omicron COVID variants which are proving less damaging to health than earlier incarnations of the virus, may lead to a gradual change in policy, although this is not expected in the near term, as evidenced by recent lockdowns of the cities of Chengdu and Shenzhen. The latter saw a population of 17.5 million subjected to lockdown measured based on fewer than 50 reported cases. In a Western context, this action would be difficult to comprehend.

In response to these changing circumstances, banks have been applying more stringent terms and conditions to loans. The company's relationship with its lenders remains strong, however during such challenging times cash flow comes naturally into focus. In this context, dialogue with our lenders is ongoing, however the key to navigating the coming months will be making continued progress on the Company's sales strategy. This will facilitate debt repayment and the availability of sufficient working capital.

There are, however, some noteworthy positive signs in Macau in the form of new casino developments, most of which are planned to be unveiled this year and next, supported by continued government investment in transportation infrastructure. Yet our own future relies more on the impact of nearer-term developments, around which increased clarity over gaming concessions and diversification into leisure offerings with broader appeal bodes well for us in terms of laying improved foundations for future growth post-COVID.

We have seen staggering levels of recovery in tourism in other destinations around the world that have emerged from COVID restrictions. The potential effects of resurgent tourism and gaming activity in Macau should not be overlooked, especially if international traveling remains restricted for Chinese citizens. It is also worth noting that when the Macau government recently announced that resumption of package tours and eVisas for mainland Chinese visitors to Macau from November 2022, shares of gaming operators immediately leapt more than 10% amid optimism that the move signalled a path towards normalcy for the territory.

Financial Performance

Our financial performance reflects the ongoing headwinds that the Company faced during the last financial year. Macau's COVID outbreak and consequent lockdown in June saw lower cash reserves at year-end, affecting some debt repayment scheduling. The situation was reversed, however, once sales were completed and pending debt repayments were made.

The Company's Adjusted Net Asset Value (NAV) was US$103.4 million as of 30 June 2022. This is equivalent to US$1.67 (138 pence) per share and represents a decline of 19.7% (8.2% in sterling terms) compared to the year ended 30 June 2021. The Net Asset Value at the year-end was US$1.25 per share, down 20.8% from the previous year. The Company remained in compliance with its debt covenants. The valuation of the portfolio fell by 8.3% from 30 June 2021, reflecting market conditions, specifically much muted transaction activity in our segment of Macau's property market.

In the near term, further sales remain impeded by sluggish buyer sentiment and travel restrictions imposed by Macau's government on regional investors from Hong Kong and abroad. The Company's share price closed at 38.2 pence for the reporting period. Following the year-end date, however, it rebounded to 57 pence in mid-September, reflecting a more positive investor outlook and the recent weakness in Pound Sterling.

The Portfolio

With the exception of the sale of four among the 59 units at *The Waterside*, the portfolio remained unchanged. The reconfiguration of two duplex units into three smaller, more marketable units at *The Fountainside* has been largely completed and the new residences are awaiting the final government approvals before they can be offered to prospective investors. Active marketing of the larger units has generated a degree of interest that the Manager is continuing to pursue.

The Waterside remains a premier development both in the context of the other six towers at One Central Residences and Macau's high-end property sector more broadly. This status requires effective and attentive management of the apartments, alongside selective refurbishment, clearly directed towards sales and leasing which have maintained tenancy levels and delivered improved tenant quality in a move away from the junket sector. Leasing decisions must be carefully balanced with strata sales targets, and coordinated between *The Waterside's* Manager and Managing Agent. A renegotiation for reduced service charges at One Central Residences by the Property Manager has come as welcome support for cost control and tenant retention. Appropriate consideration of environmental impacts is also an area of focus, including air conditioning and domestic appliances.

Penha Heights is being maintained to enhance opportunities to sell the property to a very select number of prospects. No further construction development is envisaged at this stage.

Debt Management

The Manager has maintained an active dialogue with our bank lenders, which have had to accommodate a sales delay of a further year due to market conditions. The worsening situation in the Chinese economy, and particularly the real estate sector, has led to a stiffening of terms for loan renewals. Our *Waterside* lender has agreed in principle to extend a new tranche of US$6.4 million to partially refinance debt repayment due in September 2022. Repayment and reduction of debt remains a core near-term objective, together with maintaining working capital at levels to support the cost of operating the Company, with a plan for lower operating costs having been executed while the portfolio remains unsold.

As of 30 June 2022, the Company's total gross bank borrowings stood at US$131 million, translating to a LTV ratio of 53.3%. Following the completion of sales of units at *The Waterside* in August, the Company utilised US$11.9 million from the sales proceeds for loan repayments and earmarked the balance for working capital. The loan repayments reduced total bank borrowings to US$119 million, resulting in the overall portfolio LTV ratio improving to 51%. Please refer to page 101 for further details.

Environmental, Social and Governance (ESG) considerations

ESG continued to be a core priority in our operations during the year. In terms of governance I am pleased to report the appointment of Carmen Ling to the Board. Carmen brought continuity of knowledge of the region and also a deep insight into key matters affecting the Company, especially debt management, and she has supported the Manager in our regional engagement with lenders at a critical time.

COVID-related travel restrictions have constrained how meetings have been conducted, but increased physical attendance, including by the Manager, was achieved once UK and Guernsey lockdowns and quarantine restrictions ceased. This greatly assisted our approach to very challenging circumstances, ensuring that dialogue remained constructive and focused on our objectives.

The Company is at a late stage of its life, and having carefully assessed our board composition, we arrived at the view that continuity is important and further changes to the Board would not be helpful at this point in the process of divestment. The need to understand the specifics of each property and the detailed aspects of the implementation of our strategy requires in-depth knowledge of the properties. With travel to Macau still heavily restricted, we remain of the view that retention of that operating knowledge among board members is important. In this regard, Alan Clifton, whilst exceeding the normal tenure, remains fully independent in his approach, and we greatly value his continued contribution. Moreover, we know from a process conducted in 2021 that finding directors willing to act for a short period in difficult market circumstances is not easy. For this reason, we will be proposing that Mr Clifton continue as a director of the Company.

Our approach to environmental and recruitment considerations, including contractors and appointed service providers, continued in compliance with our previously stated policies. ESG remains an important consideration in executing our plans where our primary focus is to reduce our debt levels, achieve sales at optimal levels taking into account prevailing conditions, and work towards an early return of capital.

Outlook

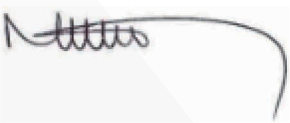
The Macau government's swift and decisive action under its zero-COVID policy has kept COVID-19 infections under control in the territory and has been complemented by an impressively high vaccination rate across the whole population. However, that same policy has also created considerable uncertainty regarding Macau's economic position and outlook. Fundamental to Macau's COVID response is the need to remains in lock-step with mainland China's approach to COVID, in order to keep its borders open to mainland visitors who remain the lifeblood of its economy. The outlook in the near-term remains challenging, as the policy continues to affect investor sentiment and potential buyers' propensity to make substantial investments such as property purchases. The Manager continues to work actively on delivering further sales of each of our assets in these demanding circumstances.

Looking beyond the immediate circumstances, we remain cautiously optimistic about Macau's prospects, particularly given the post COVID rebounds experienced elsewhere in the world. The territory retains its unique position as the only legal gaming destination within Greater China, and the development pipeline of 34 hotel projects planned or under construction, demonstrates the long-term commitment and belief of investors in Macau's future. Once travel restrictions between Macau, mainland China and Hong Kong are lifted, the territory's economy will likely experience a substantial boost. The subsequent recovery of the city's luxury residential segment, where supply continues to be limited, should only be a matter of time.

Extension of Life

Pursuant to resolutions passed at MPO's Annual General Meeting in 2016, the Company is subject to annual continuation votes. The first, second, third and fourth Continuation Resolutions were passed at General Meetings held on 5 July 2018, 29 November 2019, 30 November 2020 and 31 December 2021, respectively. The next Continuation Resolution will be put to shareholders no later than 31 December 2022. As detailed in the Director's Report and Note 1, although the Financial Statements are prepared on a going concern basis, material uncertainty exists in relation to the Company's continued status as a going concern.

A forced sale of assets, particularly under current market conditions and levels of gearing, would realise significantly lower returns than a continued, measured disposal of our remaining assets. The Board will be recommending the continuation of the Company at the next Annual General Meeting.



MARK HUNTLEY

CHAIRMAN

MACAU PROPERTY OPPORTUNITIES FUND LIMITED

5 October 2022

Board of Directors

MARK HUNTLEY

Chairman

Mark Huntley has over 40 years' experience in the fund and fiduciary sectors. His involvement in the fund and private asset sectors has spanned real estate, private equity and emerging markets investments. He has served on boards of listed and private investment funds and management/general partner entities. He holds board appointments at Stirling Mortimer No.8 Fund UK Limited and Stirling Mortimer No.9 Fund UK Limited. Mr Huntley is a resident of Guernsey.

ALAN CLIFTON

Non-executive Director
Chairman of Audit Committee

Alan Clifton began his career at stockbroker Kitcat & Aitken, first as an analyst, thereafter becoming a Partner and then a Managing Partner, prior to the firm's acquisition by The Royal Bank of Canada. He was subsequently invited to take up the role of Managing Director of the asset management arm of Aviva plc, the UK's largest insurance group. He is currently a Director of Canada Life Asset Management and several other investment companies. Mr Clifton is a UK resident.

CARMEN LING

Non-executive Director

Carmen Ling has over 25 years' banking experience. She was Managing Director for Citigroup and Standard Chartered Bank. She has extensive experience across client coverage, real estate, transaction banking and network strategy. Her role as global head of RMB Internationalisation/Belt & Road for Standard Chartered Bank added unique knowledge and experience to her as an international banker. Prior to banking, she worked in the hospitality industry for hotel project developments for North Asia, including China and Japan. Ms Ling is a resident of Hong Kong.

Financial Review

	2018	2019	2020	2021	2022
NAV (IFRS) (US$ million)	212.8	131.1	100.6	97.9	**77.6**
NAV per share (IFRS; US$)	2.78	2.12	1.63	1.58	**1.25**
Adjusted NAV (US$ million) [a]	260.6	174.9[c]	136.5	128.8	**103.4**
Adjusted NAV per share (US$) [a]	3.41	2.83	2.21	2.08	**1.67**
Adjusted NAV per share (pence)[1, a]	258	223	179	150	**138**
Share price (pence)	194.0	146.0	61.75	67.5	**38.2**
Portfolio valuation (US$ million) [b]	338.4	311.1	275.6	265.4	**242.0**
Loan-to-value ratio (%)	34.7	43.5	49.6	49.3	**53.3**

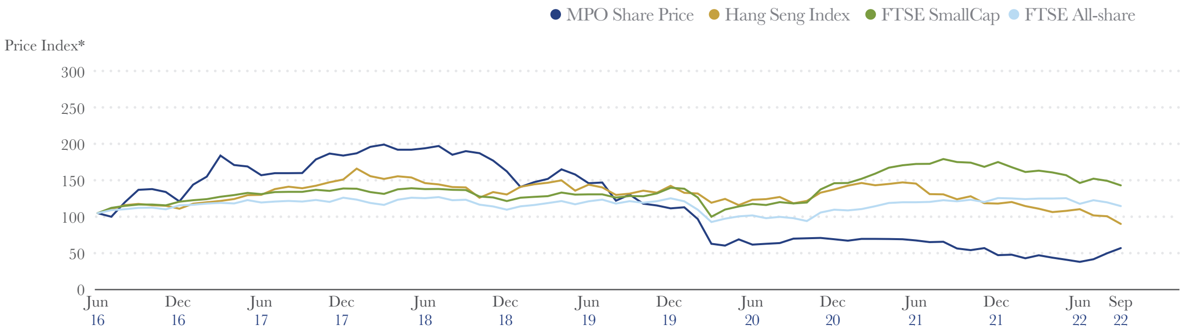
1 Based on the following US dollar/sterling exchange rates on 30 June – 2018: 1.321; 2019: 1.270; 2020: 1.231; 2021: 1.386; 2022: 1.212

a Refer to Note 18 for calculation of Adjusted NAV and Adjusted NAV per share

b Refer to Notes 6 & 7 for independent valuations of the Group's portfolio including investment property and inventories

c MPO returned US$50.5 million (50p per share) to shareholders in 2018

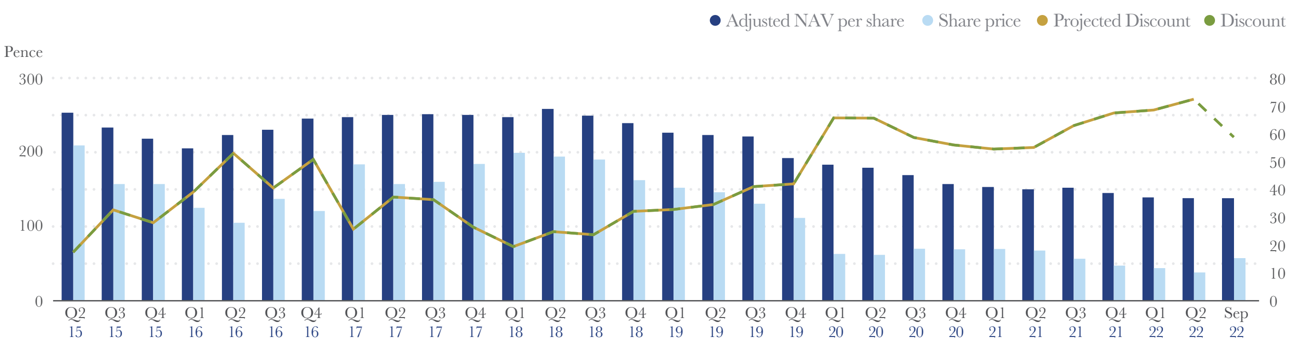
MPO Share Price vs. Hang Seng, FTSE SmallCap & FTSE All-share Indices



*Re-based to MPO share price.

Source: Bloomberg/Sniper Capital

Share Price Discount to Adjusted NAV



Note: Projected discount for September 2022 is based on Company's Adjusted NAV as at 30 June 2022

During the financial year, Macau's economy deteriorated further as mainland China's zero-COVID measures, which stand in stark contrast to those in other parts in the world, dealt a severe blow to the city's twin economic engines – tourism and gaming. Visitor arrivals and gross gaming revenue (GGR) fell to new lows, and the impact of the territory's economic woes affected various sectors, including the luxury property market.

Amid fragile local sentiment, the Manager launched the Company's strata sales programme with the carefully orchestrated divestment of four units at *The Waterside*. Although the sales of the units may signal a return of affluent buyers targeting the city's luxury residential segment for the first time in several years, further sales will remain heavily dependent on the government's ongoing COVID policies and their ultimate effect on buyer sentiment. The sales and marketing programme for the assets has resumed following COVID outbreak in June, although the overall market sentiment remains hesitant.

Financial Results

Ongoing economic difficulties, coupled with tighter capital controls and tougher lending restrictions, had an adverse effect on the Company's financial results. MPO's portfolio, comprising three main assets, was valued at US$242 million as at 30 June 2022, an 8.3% decline year on year (YoY). The lower valuations reflected a continued decline in transaction prices over the past year, especially at the luxury end of the residential segment, which was adversely affected by low transaction activity and a limited number of distressed sales.

MPO's Adjusted NAV was US$103.4 million, which translates to US$1.67 (138 pence) per share, a 19.7% decrease YoY. IFRS NAV, which records inventory at cost rather than market value, was US$77.6 million, or US$1.25 (104 pence) per share, a 20.8% drop over the one-year period.

Capital Management

As at 30 June 2022, the Company held total assets of US$220 million, with total liabilities of US$142.5 million, including a loan tranche of US$18.3 million relating to *The Waterside* debt facility due for repayment in September 2022. The lender of The Waterside has agreed in principle to extend a new tranche of US$6.4 million to partially refinance this debt repayment, with the remaining US$11.9 million having been repaid from the sales proceeds generated by the Company's recent divestments.

As of year-end, the Company's consolidated cash balance, including deposits pledged for banking facilities, was US$3.8 million, of which US$1.6 million represented a six-month interest reserve, pledged and classified as a non-current asset. Usage of the balance of US$1.9 million is subject to the prior consent of the lender. Total gross bank borrowings stood at US$131 million, translating to an LTV ratio of 53.3%.

Approximately 90% of the net sale proceeds derived from the divestment of the four units at *The Waterside* have been utilised for loan repayments, with the balance earmarked as working capital for the Company. Following these loan repayments, the Company's total bank borrowings were reduced to US$119 million, resulting in its overall portfolio LTV falling to 51%.

Portfolio Overview

Property	Sector	Commitment *(US$ million)*	Acquisition cost *(US$ million)*	Project development cost *(US$ million)*	Market valuation *(US$ million)*	Changes *(based on market value)*		Portfolio composition *(based on market value)*
						Over the year	Since acquisition	
The Waterside Tower Six at One Central Residences*	Luxury residential	100.7	86.8	13.9	181.5	-9.1%	109%	75.0%
The Fountainside**	Low-density residential	6.2	2.0	4.2	18.3	-7.1%	815%	7.6%
Penha Heights	Luxury residential	28.4	26.7	1.7	42.2	-5.3%	58%	17.4%
Total		135.3	115.5	19.8	242.0	–8.3%	110%	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.
**
Information listed refers to the remaining units and parking spaces available for sale.

The Waterside

The Fountainside

Penha Heights

Portfolio Updates

The Waterside

The Waterside, a premium luxury residential apartment development, is MPO's flagship asset, located in the prime Macau Peninsula area.

Stringent zero-COVID policies adopted by Macau and mainland China have severely impacted the territory's economy and posed challenges to the Company's preferred en-bloc exit strategy for *The Waterside*. The pressure on the luxury segment was compounded by a crackdown on junket operators in late 2021 that led to several distressed property sales, albeit in less prominent luxury developments.

With these factors in mind, the divestment strategy for *The Waterside* was pivoted in H1 2022 with the commencement of strata sales to a select range of motivated buyers.

The Manager leveraged its well-established local network to pursue a targeted marketing campaign that focused intently on promoting *The Waterside's* exceptional location and unit quality. This strategy led to the successful sale of all four targeted units – one simplex and three standard apartments – in Q2 2022, with all transactions completed in full following the Company's year-end. The combined transaction value of US$14.4 million represented an overall discount of 6.8% to a valuation of the units conducted by Savills as at 30 June 2022, with the proceeds earmarked primarily for debt reduction. The timing of the sales was fortuitous, considering the severe hit to local sentiment that occurred in July as a result of a COVID outbreak in Macau the previous month.

Under its leasing programme, *The Waterside's* occupancy level remained largely unchanged from the previous year, at 30%, despite an extremely shallow leasing market – a testament to the efforts of the leasing team, which has successfully engineered a more sustainable tenant mix with reduced dependence on the volatile junket segment. The proportion of non-gaming tenants, comprising entrepreneurs, businesspeople and banking executives, rose to approximately 70% of the overall tenant profile. Rents have held steady at an average monthly rental of US$2.20 per square foot. Until the ease of travel is fully restored to pre-pandemic levels, the pool of potential new tenants will remain limited, and the overall strategy is now shifting towards achieving further unit sales.


迎湖
THE WATERSIDE
MACAU

The Fountainside

The Fountainside is a low-density, freehold residential development in Macau's Penha Hill district. Among its 42 units, all 36 standard units have been sold, leaving four villas and two duplexes, which have been reconfigured into three smaller apartments and two car-parking spaces for sale.

Investor interest in high-end residential properties such as *The Fountainside* has remained subdued due to continued restrictive mortgage policies, Macau's faltering economy, and pandemic measures that have deterred potential purchasers. As market demand among small families and young individuals for affordable units remains strong, the two duplexes at the property have been reconfigured as three smaller units, in which on-site works were completed in Q3. Occupancy permits from the Land, Public Works and Transport Bureau for the three smaller units are expected by the end of 2022, clearing the way for sales.

Although the Manager has identified several potential regional buyers for the four villas, sales efforts remain hindered by Macau's entry controls and COVID quarantine requirements, which have limited the number of in-person site visits.

Penha Heights

Penha Heights is a prestigious, five-storey, colonial-style villa covering an area of more than 12,000 square feet, nestled amid lush greenery atop Penha Hill, an exclusive and highly desirable residential enclave. The property has been enhanced through works undertaken during the pandemic to take advantage of the lull in the property market.

Although the Manager has deployed carefully targeted marketing efforts and various strategies to divest the asset, including a refreshed sales and marketing push with specialist property agents, Macau's pandemic control measures have severely disrupted the process, weighed on investor sentiment, and weakened potential buyers' appetites for such a trophy home in the territory.

Nevertheless, since the beginning of 2022, six viewings have been conducted, with several parties progressing to various stages of due diligence.

Divestment Background

Since its inception, the Company has returned US$97.4 million to shareholders, with the most recent distribution of US$50.5 million being made following the divestment of its retail redevelopment site *Senado Square* in 2018. In addition, total share repurchases valued at US$75 million – equivalent to 41% of the Company's original outstanding share capital – have been undertaken.

The sale of *Senado Square* left the Company's portfolio focused primarily on Macau's premium luxury residential segment, which – due to a multitude of factors, including restrictive mortgage limits, a special stamp duty up to 20%, and the reduced market presence of junket operators – has suffered from decreasing levels of liquidity. Although further divestments of US$30.3 million were achieved from mid-2019 onwards, the protracted nature of the pandemic and the severe impact of China's zero-COVID policy inevitably resulted in multiple setbacks for the Company's divestment programme. Since 2020, liquidity in the luxury segment has fallen to new lows, making further divestments in the segment even more challenging.

Despite the economic turmoil suffered by Macau, its residents generally remain cash-rich with low levels of personal debt compared to other cities in the region. Current valuations indicate that Macau residential property is at its lowest prices in a decade both in absolute terms and on a relative basis compared to neighbouring Hong Kong and Guangdong. According to Savills Macau, the value proposition is especially compelling for properties of more than 1,600 square feet, as prices have dropped almost 30% cumulatively over the past five years. Standard apartments at *The Waterside* have an average gross floor area of 2,300 square feet, and with prices having fallen to a competitive range, the units are becoming more appealing to affluent local investors.

Realtor JLL Macau, however, forecasts that Macau's property market will remain under pressure in the absence of favourable factors such as quarantine-free travel between the territory and Hong Kong, and to foreign destinations. It also predicts that further potential for interest rate increases will contribute to downward pressure on the market. Macau's local property market is priced in Hong Kong dollars, a currency tied to the US dollar, and therefore to US interest rates. All of these factors will likely prolong the divestment timeline.

Our recent divestments at *The Waterside* marked an important first step towards orderly strata sales of all remaining 55 apartments at the development, and may indicate rising demand for ultra-high-quality homes in the city, which remain in very short supply. The Manager will aim to build on this small but important milestone to advance the strata sales programme in the medium term, although further sales will remain heavily dependent on local market conditions and the government's approach towards COVID control.

For more prestigious properties, including *Penha Heights* and the four villas at *The Fountainside*, we will continue to orchestrate a carefully designed marketing campaign with specialist property agents targeting high net worth families across Asia-Pacific. The supply of trophy homes in Macau remains extremely scarce.

To complement the Manager's sale and marketing efforts, the Company has enhanced its outreach to a wider audience of potential buyers by appointing Hodes Weill, a global advisory firm with a strong track record of real estate capital market. Hodes Weill has worked closely with the Manager to launch a sales campaign for the Company's assets designed to target a select group of prospective purchasers within the firm's network. This process is ongoing.

Company Life

At the Company's last Annual General Meeting, shareholders passed a resolution to extend its life for a further year until 31 December 2022. At present, the Macau government's zero-COVID policy is likely to remain in lockstep with that imposed by China. There are currently no indications of a return to pre-pandemic ease of travel, such as the reopening of international borders and the restoration of quarantine-free travel for foreigners, despite some measures to allow certain categories of foreigners to enter Macau.

These uncertainties are likely to impact the timely completion of the Company's divestment programme. Although the Manager will deploy all possible strategies to achieve further sales, based on our current assessment, it is probable that a further proposal for an extension of the Company's life until the end of 2023 will be required to enable its divestment programme to continue in an orderly manner. The Company envisages that the current management terms agreed with the Manager will apply to the extended period of its life.

Macroeconomic Outlook

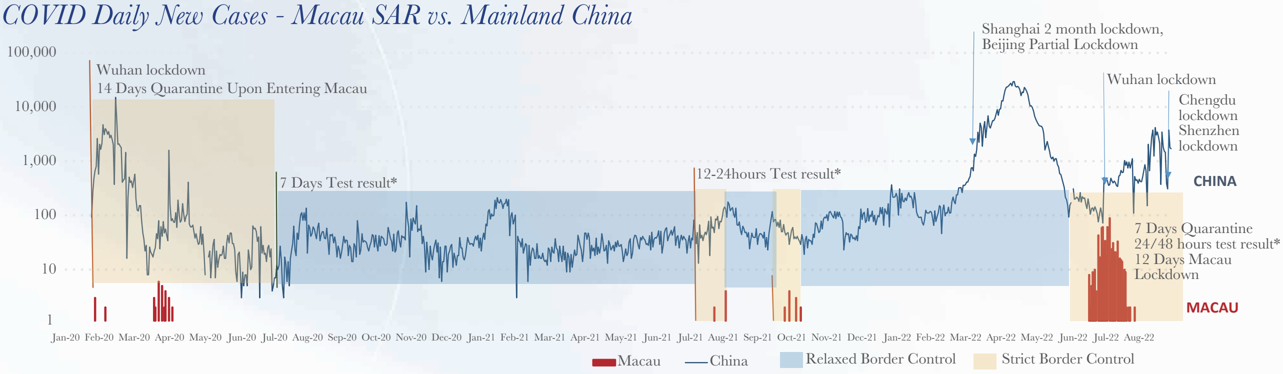
Zero-COVID policies cripple Macau's economy

In contrast to most of the world, and at a huge cost to the economy, Macau has maintained a strict dynamic zero-COVID stance, in line with that of China. Historically, mainland Chinese travellers account for more than 70% of Macau's visitors and contribute the bulk of its GGR. Because only travellers from mainland China are permitted to travel quarantine-free to Macau, the territory is now even more reliant on them in the short term to power the twin drivers of its economy – gaming and tourism. As such, Macau has acted in accordance with Beijing in deploying strict dynamic zero-COVID measures, including travel restrictions, lockdowns, closures of non-essential businesses, city-wide COVID testing, the isolation of confirmed cases, and the quarantine of close contacts.

The caution embodied by Macau's zero-COVID measures was demonstrated when the territory's most severe COVID-19 outbreak to date was detected in mid-June. Fuelled by the highly contagious Omicron BA.5.1 variant, the territory's total COVID case numbers surged from 83 to more than 1,800. The government responded swiftly in an effort to identify sources of infection and curb the further spread of the virus, enacting more than 11 rounds of city-wide testing and a 12-day lockdown in July, during which non-essential businesses and services, including casinos, were closed. The city returned to normalcy after a month-and-a-half of various COVID related restrictions.

At the end of June, more than 90% of Macau's population of 677,300 had been fully inoculated against the virus, with only six COVID fatalities to date, all of whom were in the most vulnerable over-80 age group. On a positive note, border controls for travellers coming from Hong Kong and abroad were relaxed during the reporting period — from three weeks of required hotel quarantine to one week. As of September, visitors entering mainland China from Macau are required to show proof of a negative COVID test within the previous 48 hours, relaxed from 24 hours.

COVID Daily New Cases - Macau SAR vs. Mainland China



Source: Macau Government, news outlets

* Proof of negative nucleic acid test is required upon entering Mainland China from Macau, the government shorten the validity of the time period from 7 days to 12/24/48 hours during COVID outbreak in Macau

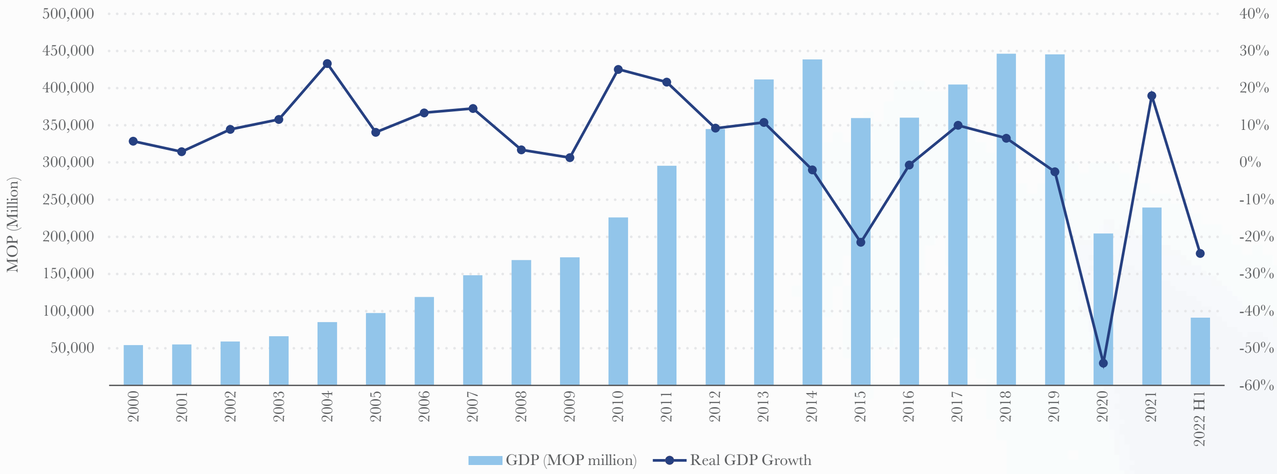
Nascent economic recovery quickly reversed

In Q3 2021, travel restrictions imposed in response to COVID flare-ups across mainland China saw a downturn begin, hampering an anticipated strong rebound in Macau's gaming industry and GDP. Macau's FY2021 GDP grew 18% YoY, significantly lower than an earlier 61% forecast by the International Monetary Fund.

The economy remained affected in Q1 2022 as lockdowns and travel restrictions impacting an increasing number of COVID hotspots in mainland China continued to weigh on Macau's gaming and tourism sectors, which account for most of the territory's GDP. Macau's GDP for the first half of the year shrunk 24.5% YoY as its economy was hit by zero-COVID measures.

Since Macau's June COVID outbreak, analysts have cut their forecasts for the territory's FY2022 GDP, with the Economist Intelligence Unit predicting a contraction of 30% YoY for FY2022, in stark contrast with the International Monetary Fund's April 2022 projection of 16% YoY growth for the full year.

Macau's GDP and Real Growth Rate



Source: DSEC

Tourism on a path towards normalcy

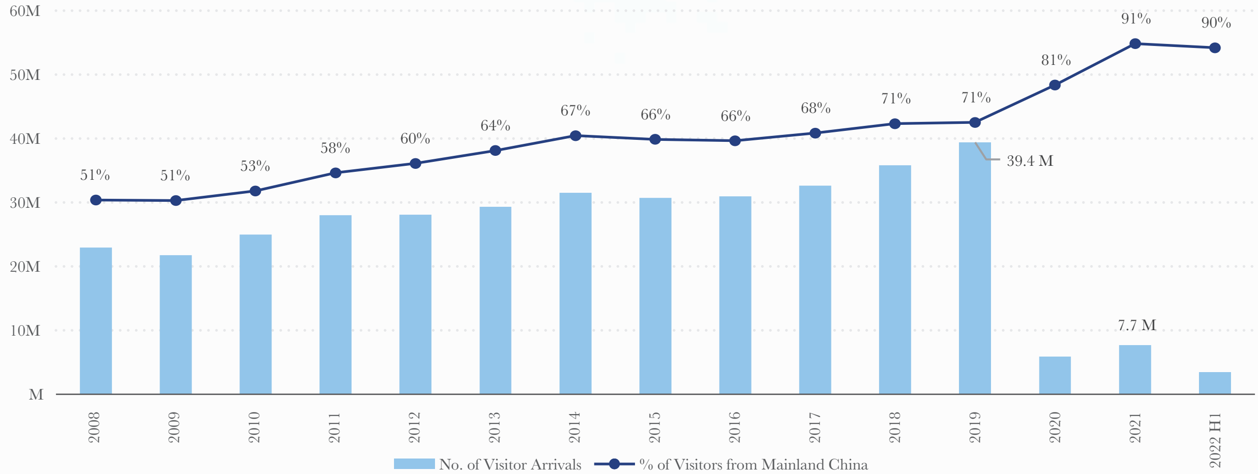
Macau's tourist arrivals grew 31% YoY in 2021 to 7.7 million, approximately 20% of pre-pandemic 2019 numbers. Mainland Chinese accounted for 91% of visitors, with those from neighbouring Guangdong Province making up 62% of the total. By comparison, in H1 2022, tourist arrivals fell 12% YoY to less than 3.5 million, approximately 17% of the pre-pandemic peak of 20.3 million during the same period in 2019.

The fluctuation in tourist numbers reflects Macau's heavy dependence on a stable COVID situation both locally and in mainland China as tightened travel restrictions and quarantines for travellers remain key tools in the zero-COVID arsenal. As zero-COVID measures took effect, Macau's visitor numbers in June declined 28% YoY, while July's numbers were lower by 99% YoY.

A more positive development was the Macau government's announcement in late September of the resumption in package tours and Individual Visit Scheme's eVisas for mainland Chinese visitors to Macau, which will likely bring a significant boost to both tourism and gaming. After a hiatus of almost three years, the first phase will commence in November, involving the city of Shanghai and four provinces including neighbouring Guangdong Province with a population of over 120 million people. In addition, overseas visitors from 41 countries were permitted to enter Macau from September 2022, albeit subject to seven days quarantine.

Conversely, in Hong Kong, the government has recently abolished hotel quarantine for international arrivals, requiring instead three days of restricted access to public spaces upon arrival. The long-awaited move follows intense pressure from the business community to restore Hong Kong's standing as a global financial and aviation hub. Macau's government, however, has unequivocally stated that it will not follow in Hong Kong's footsteps in the immediate future, given its dependence on maintaining an open border with mainland China to keep its economy running. In addition to mainland Chinese tourists, a significant proportion of Macau's workforce crosses into the territory daily from the neighbouring city of Zhuhai.

Number of Visitor Arrivals to Macau



Source: DSEC

Clarity on new gaming laws despite a series of shocks

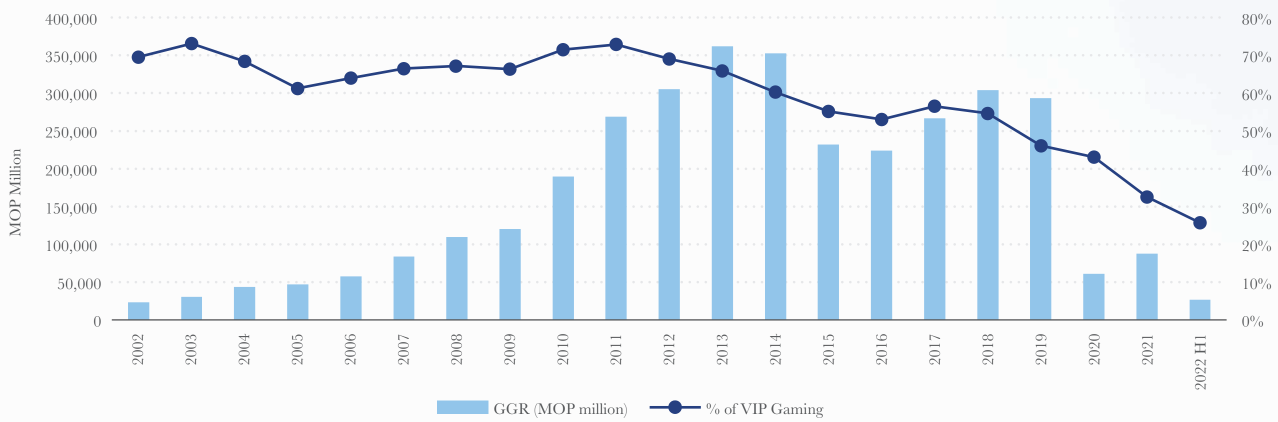
Macau's gaming operators have endured an immensely difficult operating environment since the start of the pandemic. Towards the end of 2021, clarity finally emerged regarding the new gaming regime, when the government unveiled the main features of new licensing arrangements, which include a maximum of six gaming concessions for 10 years, down from 20 years previously, with the potential to extend for a further three years. The new gaming law was passed by the Legislative Assembly on 21 June 2022 and the new concessions are expected to take effect from the beginning of 2023. On 14 September, seven companies submitted bids for Macau gaming concessions, including surprise contender Genting Malaysia.

The Chinese government's efforts to clamp down on capital flight escalated in 2021. The chief executives of Macau's top two junket operators were arrested and junket operators were ordered to stop providing credit to customers. The subsequent closure of junket operations resulted in a sharp drop in VIP gaming revenues, with a spill over into the luxury property market as demand for luxury accommodation for VIP gaming executives and their customers contracted.

In H1 2022, the continued impact of Macau's zero-COVID measures was demonstrated by a sharp decline in GGR, with six-month GGR down 46% compared to the same period the previous year and 82% lower than in 2019.

GGR plummeted by 95% YoY in July 2022 amid a 12-day closure of casinos at the height of Macau's zero-COVID measures. July's GGR, at MOP398 million (US$49.2 million), was its lowest since 2003, when the territory had only 11 casinos under a single operator. Analysts estimate that for H1 2022, Macau's 41 casinos suffered combined losses of US$2 billion due to COVID-19 restrictions and that the sector is unlikely to see a robust recovery until later in 2023.

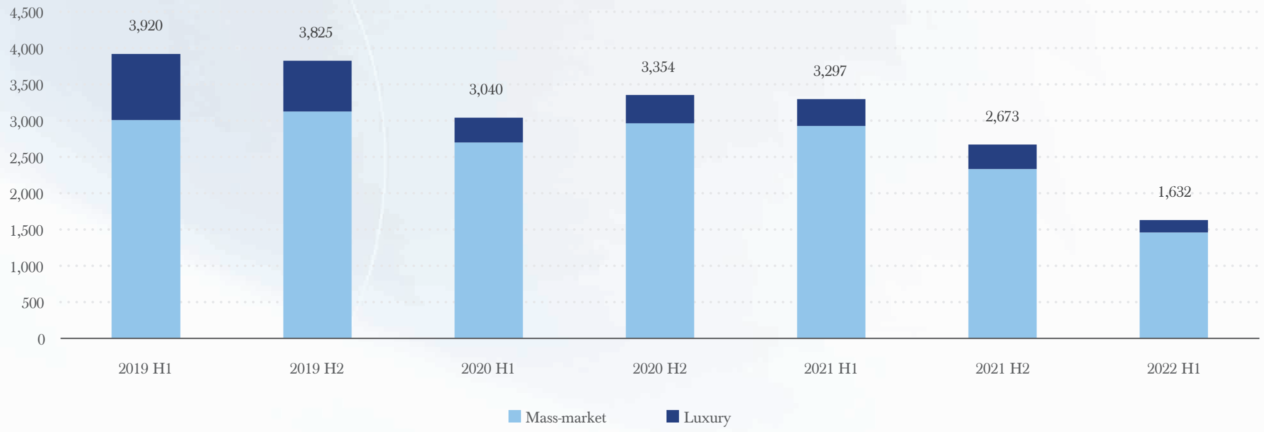
Gross Gaming Revenue (GGR)



Source: DSEC

Property Market Overview

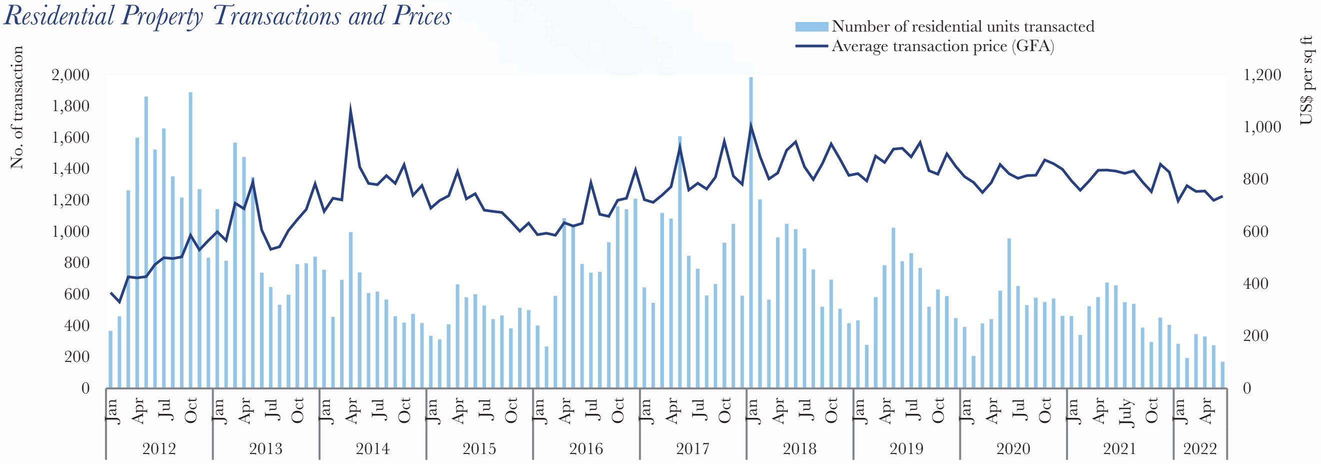
Overall Residential Transactions



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

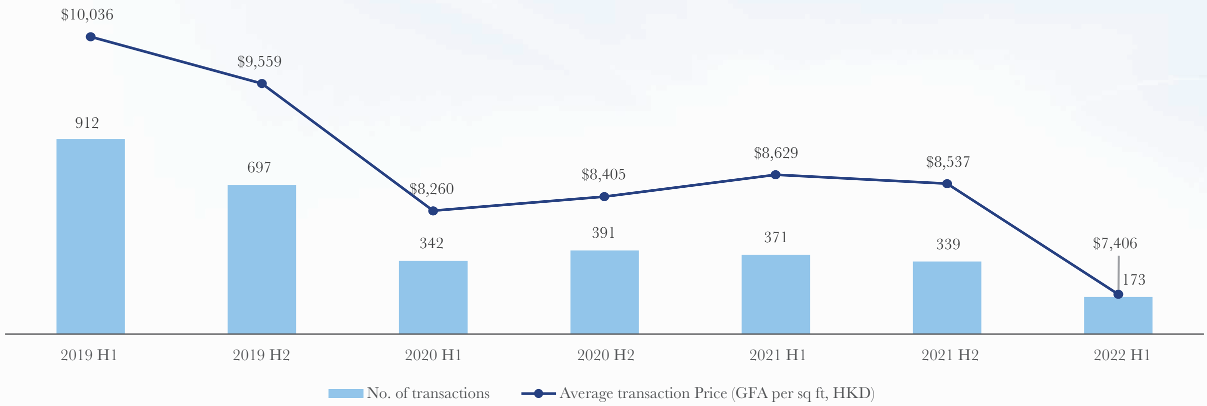
Source: DSF

Residential Property Transactions and Prices



Source: DSF

Luxury Residential Sales in Macau 2019-2022 H1



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

Luxury residential transactions decline

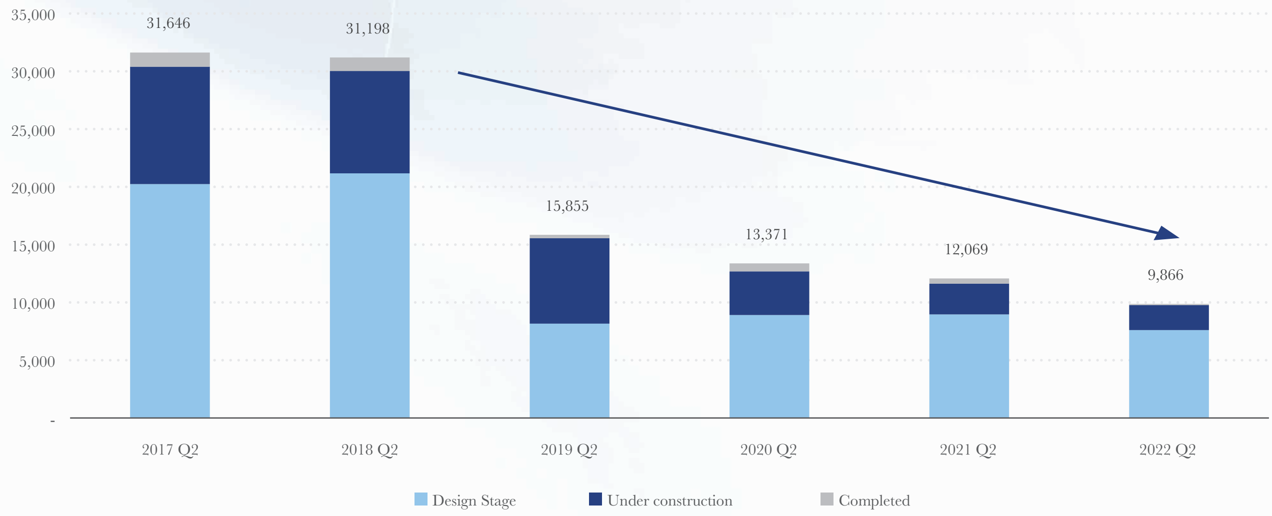
The luxury end of the real estate market declined as pandemic measures and the consequent economic downturn continued to weigh on market sentiment. Although sales volumes and prices remained stagnant in FY 2021, from H1 2022 onward, the number of transactions in the segment more than halved, dropping 53% YoY to 173, while the average price per square foot, measured in gross floor area, fell by 13% YoY to HKD7,406 (US$944). The luxury residential segment accounted for 11% of overall residential property transactions in Macau in H1 2022.

The decline in luxury residential transactions was driven by several factors. Firstly, bearish market sentiment as a result of Macau's economic downturn led cash-rich investors to adopt a "wait and see" attitude and delay property investments. Secondly, second and subsequent property purchases still attracted stamp duties of 5–10%, adding to transaction costs while deterring speculation. Thirdly, constant changes to border control measures also discouraged potential cross-border buyers from entering the property market.

The situation was compounded by multiple distressed sales due to closure of junket operations and several satellite casinos from the end of 2021 onwards. These sales intensified downward pressure on the prices of luxury properties, since junket operators held expansive real estate portfolios that included office space and luxury residences.

Regional property agency Centaline predicts that the average price and sale transaction of residential properties will continue to face downward pressure in H2 2022, despite the near-term sentiment boost from the recovery prospects of Macau's tourism industry. The potential for further interest rate hikes, plummeting stock prices and potential massive layoffs due to economic downturn are listed as the major reasons contributing to the drop. On the supply side, there are currently more than 9,800 residential units either at the design stage, under construction, or completed, indicating that the residential supply has plummeted a cumulative 69% since Q2 2017. New-builds are mainly smaller units, with just 5% designed as apartments with three or more bedrooms. Savills Macau forecasts that the supply of private residential property will remain limited as many private sites for potential development saw permissions revoked by Macau's government under the New Land Law.

Cumulative Residential Supply



Source: DSEC

Hong Kong luxury home values fall from peaks

Hong Kong home prices hit a two-year record high in H2 2021, but since then, growth has slowed for a number of reasons. The potential for further interest rate hikes and Hong Kong stock market turbulence have affected the investor appetite for luxury residential properties, and lockdowns of major cities in China have crimped mainland Chinese buyers' ability to invest in the city. As a result, Hong Kong's luxury home prices had fallen by Q2 2022, with luxury apartment prices declining 2.9% quarter on quarter (QoQ) and townhouse prices dropping 4.1% QoQ, although prices in the super-luxury segment were less affected, according to Savills Hong Kong.

China's real estate slump impacts its economic recovery

China's property sector is struggling amid the fallout of the debt default by real estate giant Evergrande and other firms in the industry. Adding to the sector's woes is an escalating mortgage boycott by buyers refusing to make mortgage payments for unfinished projects as property developers struggle to complete projects amid a liquidity crunch and COVID lockdowns. Banks continue to limit their exposure to China's property sector by imposing lending restrictions, with an increase of overdue loans of 50% YoY at China's biggest four banks, even in the supposedly low-risk mortgage lending market.

Escalating geopolitical concerns affect sentiment

Investors have also been expressing increasing concerns over sabre-rattling related to Taiwan following US House Speaker Nancy Pelosi's visit to Taipei in August. China staged an unprecedented number of military drills to protest the visit, resulting in a dramatic spike in incursions into Taiwan's air defence identification zone. The escalating tensions may be weighing on investor sentiment towards China and delaying investment decisions.

Looking Ahead

COVID policy clouds outlook

Any sustained recovery in Macau's luxury property market remains reliant on factors ranging from a more relaxed COVID policy to a substantial recovery of the economy and the knock-on effect this would have on local businesses and employment. While investors have welcomed the rollback of COVID measures such as resuming electronic eVisas application for mainland Chinese visitor to Macau, the positive impact of these initiatives can be easily reversed by any major COVID outbreak in either mainland China or Macau. It must therefore be assumed that a high level of uncertainty as a result of continued zero-COVID measures is likely to prevail for the foreseeable future.

China's stringent maintenance of its zero-COVID policy appears firmly entrenched, with 33 cities and an estimated 65 million people remaining under varying levels of lockdown restrictions as at mid-September. Although some commentators have suggested that China may relax its zero-COVID stance following the Communist Party's national congress in October, this is more likely to occur gradually once a Chinese-developed mRNA vaccine succeeds in obtaining regulatory approval, allowing a nationwide rollout to occur. By the end of September, some cities previously in lockdown, such as Chengdu with a population of 21 million, have gradually returned to normalcy.

Macau's long-term value proposition, stemming from its unique position as the only jurisdiction on Chinese soil that offers licensed gaming, remains unchallenged. Nevertheless, the immediate outlook for the territory's luxury property segment is likely to remain uncertain, complicating the Manager's efforts to secure further divestments in the near term.

Environmental, Social and Governance Report

1 About This Report

This Environmental, Social and Governance Report (the "ESG Report") has been prepared with reference to The Ten Principles of United Nations Global Compact ("UNGC"). The ESG Report elaborates the environmental and social responsibility measures and performances of Macau Property Opportunities Fund Limited (the "Company").

1.1 Core Business of the Group

The Company is in the process of an orderly and managed divestment of the three remaining portfolio properties. No further new construction or development activities will be undertaken save for the limited reconfiguration at *The Fountainside*.

The Company is solely focused on and exposed to the high-end residential property market in Macau. It has never had any exposure to any property or other investment in the gaming or associated hospitality sectors and each investment is in full compliance with the parameters set out in the Company's Prospectus.

1.2 Report Boundary

The ESG Report focuses on the environmental and social responsibility performances of the Company's core business of investment in properties in Macau, as listed below:

- *The Waterside*
- *The Fountainside*
- *Penha Heights*

1.3 Overall ESG Approach

The Board understands the significance of ESG and has incorporated ESG-related risks into the Company's risk management processes. The overall ESG approach is aimed at creating profit for shareholders in a responsible manner, while taking into consideration environmental and social responsibility and supply chain management.

The Company's ESG approach is developed based on The Ten Principles of UNGC. UNGC is a voluntary multi stakeholder platform which convenes multinational companies to align against The Ten Principles covering human rights, labour, environment and anti-corruption standards. The Board is committed to reflect the basic concepts of fairness, honesty and respect for people and the environment in its business actions.

2 Environment

2.1 Commitment Principle

The Company strives to adopt environmental-friendly practices during our business operations so as to minimise the negative impacts on the environment and natural resources. It complies strictly with all the applicable environmental laws and regulations in Macau. Different environmental protection measures have been implemented at the key stages of property development, along with the incorporation of green building designs and the implementation of responsible construction practices at work sites. The Company also upholds the principles of recycle and reuse at its properties.

2.2 Initiatives and Performances

Property Design

The Company follows local green building requirements, which take into consideration green design elements such as building materials, indoor air quality, site selection and energy considerations. Examples of green building designs and features are provided as follows:

- Preserve and retain the cultural heritage façade of the historical building;
- Incorporation of passive building designs to improve ventilation and optimise sunlight exposure;
- Use of water-efficient fixtures; and
- Greening of rooftops.

Indoor air quality is improved through the introduction of the air purifying equipment. Measures capable of monitoring temperature and humidity in residential units and thus enhance the living conditions for residents have been implemented at One Central and *The Fountainside*.

Property Management

Various green measures have been adopted in our properties to improve the overall environmental performance. For example,

– Energy efficiency: energy consumption has been reduced by (i) replacing lighting fixtures with LEDs, (ii) reducing the amount of lighting used in common areas; and (iii) installing air-conditioning systems with energy efficiency labelling in accordance with local requirements.
– Tenants' engagement: tenants are encouraged to minimise their resource consumption (electricity, water and material use) and are provided with recycling facilities to reduce waste.
– Rechargeable battery recycling: public collection points for rechargeable battery recycling have been provided and tenants are encouraged to use these facilities for battery disposal. Certain materials in rechargeable batteries, such as cadmium, are hazardous to human health and the environment.

An effective environmental management system has been implemented. Some of the Company's main environmental objectives regarding property management are as follows:

– Use of pesticides and cleansing agents in accordance to relevant regulations, aiming for zero incidents regarding their use and storage; and
– Manage community wastewater, waste and noise according to local standards.

Regulatory Compliance

The Company is not aware of any non-compliance with environmental regulatory requirements that may significantly impact the Company's business.

3 Social Responsibility and Supply Chain Management

The Company strongly believes that quality property is a gateway to quality living. The Company strives to provide a quality property experience through innovation and sensitivity, as well as operating with integrity. Through such efforts, the aim is to improve the living quality of tenants and become their trusted partners.

3.1 Supply Chain Management

During the process of property construction and redevelopment, the Company carefully appoints external contractors by taking into consideration various factors such as human rights protection, non-discrimination of employment and occupation, environmental protection, construction safety and product safety. While selecting contractors for property construction, those who are familiar with the environmental, social and safety requirements and are in line with concerns over the abolition of child labour and anti-corruption are sought. Close contacts with the contractors on all constructions and sourcing affairs are established. Regular meetings to facilitate two-way communications take place. In addition, regular assessments of contractors, based on environmental and social risks, are performed.

3.2 Quality Services

To ensure the consistently high quality in its property management services, the Company aims to:

– Develop quality properties that embrace innovation and enhance the neighbourhood;

– Provide sincere service and ongoing improvement of its property management;

– Strive for high standards by building scientific and standardised property management, and achieve customer satisfaction; and

– Provide a tasteful living environment for residents.

3.3 Protection of Privacy

To ensure the well-being of tenants, there is regular communication with them through satisfaction surveys which help to identify potential areas for improvement. Customers' information is kept confidential and access is restricted.

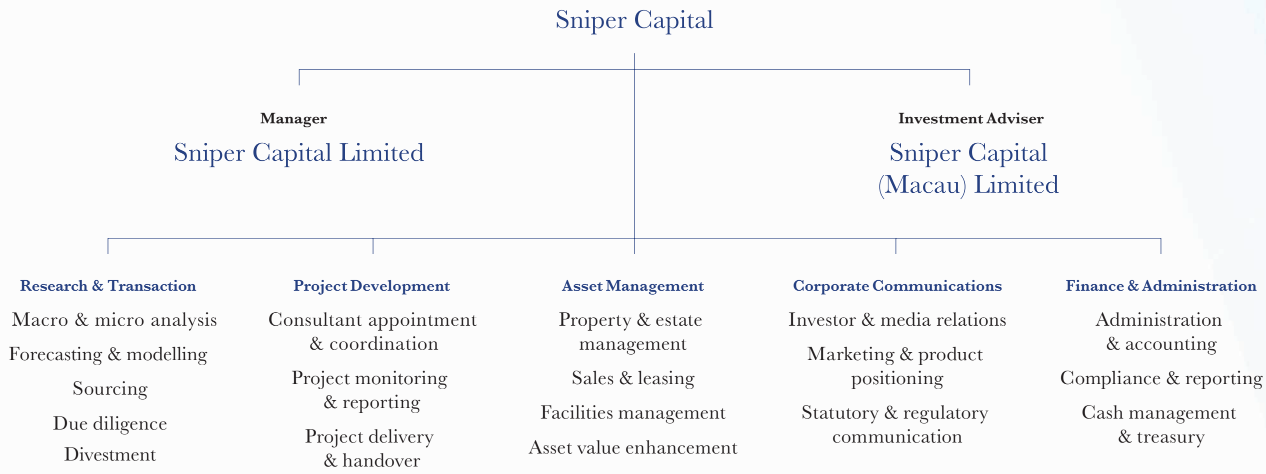
Regulatory Compliance

The Company is not aware of any non-compliance with supply chain management that may significantly impact the Group's business.

Glossary of Sources

IMF	**INTERNATIONAL MONETARY FUND**
DSEC	**THE STATISTICS AND CENSUS SERVICE (MACAU)**
DICJ	**THE GAMING INSPECTION AND COORDINATION BUREAU (MACAU)**
DSF	**FINANCIAL SERVICES BUREAU (MACAU)**

Manager and Adviser



Manager

The day-to-day responsibility for the management of the Macau Property Opportunities Fund's ("MPOF", "Company" or "Group") portfolio rests with Sniper Capital Limited.

Founded in 2004, Sniper Capital Limited focuses on capital growth from carefully selected investment, development and redevelopment opportunities in niche and undervalued property markets.

Sniper Capital Limited is focused on the identification, acquisition and development of properties chosen for their location, current and potential value, or for the sustainable demand for the accommodation or facilities they offer.

Sniper Capital Limited's team of over 30 professionals covers all the required investment and development disciplines, including research, site acquisition, project development, asset management, divestment, investor relations and finance.

Working closely with Headland Developments Limited and Bela Vista Property Services Limited, Sniper Capital Limited ensures that all necessary project management skills and services are provided in a way that will deliver each MPOF project to the right standards and on budget.

With its 29 August 2022 holding of 11.88 million shares or 19.22% of the Company's issued share capital, Sniper Investments Limited — an investment vehicle associated with Sniper Capital Limited — is the largest shareholder in MPOF, which bears witness to Sniper Capital Limited's belief in the Company.

The Manager is committed to the full disposal of the Company's Portfolio at the earliest possible time while striving to return maximum possible values to shareholders.

Adviser

The Company's Board of Directors and Manager are advised by Sniper Capital (Macau) Limited, which has a highly developed network of contacts and associates spanning Macau's financial and business community.

The Investment Adviser's brief is to source, analyse and recommend potential divestment opportunities, whilst providing the Board with property investment and management advisory services in relation to the Company's real estate assets.

For more information, please visit www.snipercapital.com

Manager and Adviser *(continued)*

Investment Policy

The Company is managed with the objective of realising the value of all remaining assets in the portfolio, individually, in aggregate or in any other combination of disposals or transaction structures, in a prudent manner consistent with the principles of sound investment management with a view to making an orderly return of capital to shareholders over time.

The Company may sell or otherwise realise its investments (including individually, or in aggregate or other combinations) to such persons as it chooses, but in all cases with the objective of achieving the best exit values reasonably available within shortest acceptable time scales.

The Company has ceased to make any new investments and will not undertake additional borrowing other than to refinance existing borrowing or for short-term working capital purposes.

Any net cash received by the Company after discharging any relevant loans as part of the realisation process will be held by the Company as cash on deposit and/or as cash equivalents prior to its distribution to shareholders, which shall be at such intervals as the Board considers appropriate.

The Company's Articles of Incorporation do not contain any restriction on borrowings.

Directors' Report

The Directors present their report and audited financial statements of the Group for the year ended 30 June 2022. This Directors' report should be read together with Corporate Governance Report on pages 52 to 57.

Principal activities

Macau Property Opportunities Fund Limited (the "Company") is a Guernsey-registered closed-ended investment fund traded on the London Stock Exchange (the "LSE"). Following the passing of all resolutions at the Extraordinary General Meeting held on 28 June 2010, the Company's shares obtained a Premium Listing on the LSE Main Market on 30 June 2010.

The Company is an authorised entity under the Authorised Closed-Ended Investment Schemes Rules and Guidance, 2021 and is regulated by the Guernsey Financial Services Commission ("GFSC"). During the year, the principal activities of the Company and its subsidiaries as listed in Note 4 to the consolidated financial statements (together referred to as the "Group") were property investment in Macau.

Business review

A review of the business during the year, together with likely future developments, is contained in the Chairman's Message on pages 6 to 13 and in the Manager's Report on pages 16 to 37.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Manager's Report. The financial position of the Group, its cash flows and its liquidity position are described in the Capital Management section of the Manager's Report.

The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, market risk and liquidity risk are discussed in Note 2 to the consolidated financial statements.

In accordance with provision 30 of the 2018 revision of the UK Corporate Governance Code, (the "UK Code"), and as a fundamental principle of the preparation of financial statements in accordance with IFRS, the Directors have assessed as to whether the Company will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit and Risk Committee, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months after date of approval of the Annual Report.

In reaching its conclusion, the Board have considered the risks that could impact the Group's liquidity over the period to 31 October 2023. This period represents the period of at least 12 months from the date of signing of the Annual Report.

As part of their assessment the Audit Committee highlighted the following key considerations:

1. Whether the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 31 October 2023

2. Extension of life of the Company

1. Whether, the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 31 October 2023

As at 30 June 2022, the Group had major debt obligations to settle during the going concern period being:

i) principal repayment for The Waterside loan facility of approximately US$18.3 million due for settlement in September 2022;

ii) principal repayment for The Waterside loan facility of approximately US$5.1 million due for settlement in March 2023;

iii) principal repayment for The Waterside and the Fountainside loan facilities of approximately US$9.5 million due for settlement in September 2023;

iv) principal repayment for the Penha Heights Tai Fung Bank loan facility of approximately US$1.6 million due for settlement in quarterly instalments of US$318,600 commencing in September 2022; and

v) principal repayment for the Penha Heights BCM loan facility of approximately US$1.3 million due for settlement in 3 quarterly payments of US$446,045 each in March, June and September 2023.

The lender of The Waterside loan facility has agreed in principle to extend a new tranche of US$6.4 million to partially refinance the US$18.3 million repayment that was due for settlement in September 2022, with the remaining US$11.9 million having been repaid from the sales proceeds of the Group's recent divestments. It is anticipated that the remaining debt obligations that are due over the going concern period will be settled from sales proceeds that are to be generated from the ongoing divestments or the Group will need to arrange refinancing if necessary.

The Manager is responsible for the relationship with the Group's lenders for monitoring compliance with loan terms and covenants and reporting to the Board on matters arising. Throughout the year ended 30 June 2022 and up to the date of issue of the financial statements, the Group has continued to be in compliance with covenant terms and has maintained ongoing dialogue with all lenders who indicated their continued support for the Group and the underlying properties.

Given the largest instalment of the debt obligations that will become due for settlement over the going concern period has already been settled in September 2022, the fact that all banking facilities of the Group have all been successfully renewed previously, with the loan-to-value (LTV) ratios of the facilities maintained within the covenants required under the respective loan agreements, as well as successful post year end unit sales, the Board is confident that the Group would be able to arrange refinancing for debt obligations that exceed funding available from divestments.

Notwithstanding the above, given that the refinancing of debt obligations that will become due for settlement over the going concern period has not been formally agreed or that proceeds from sales expected to settle these obligations are not committed at the date of issue of the financial statements, the Directors consider that there is a material uncertainty that may cast significant doubt over the Group's and Company's ability to continue as a going concern.

2. **Extension of life of the Company**

After the Ordinary Resolution was passed at the Annual General Meeting of the Company on 22 December 2021 to extend the Fund's life until 31 December 2022, the Directors assessed the impact of the continuation vote 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.

In line with Article 38 of the Articles of Incorporation, the Company will put forward a resolution for its continuation at the next annual general meeting (intended to be held in December 2022). If any continuation resolution is not passed, the Directors are required to formulate proposals to be put to Members to reorganise, unitise, reconstruct or wind up the Company.

The Directors expect to receive continuation support from major shareholders and note that 50% of shareholder support is required to ensure continuation. The Board have ongoing communication with shareholders and the feedback regarding the continuation vote is broadly positive. It is likely that returns from the sale of properties would be significantly lower if the Fund was forced to sell as a result of a failed continuation vote and it is therefore commercially sensible for the Fund to continue in business.

Given that the continuation vote has not taken place at the date of issue of the financial statements, the Directors consider that there is a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

Going Concern Conclusion

After careful consideration and based on the reasons outlined above, including the ongoing dialogue with lenders and shareholders, whilst there is material uncertainty related to going concern, the Board have a reasonable expectation that the Company will continue in existence as a going concern for 12 months from the date of signing the Annual report. They are therefore satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

Viability Statement

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. The Directors consider each of the Company's principal risks and uncertainties, during the quarterly Board meetings. The Directors also considered the Company's policy for monitoring, managing and mitigating its exposure to these risks. This assessment involved an evaluation of the potential impact on the Company of these risks occurring. Where appropriate, the Company's financial model was subject to a sensitivity analysis involving flexing a number of key assumptions in the underlying financial forecasts in order to analyse the effect on the Company's net cash flows and other key financial ratios. A base case and adverse scenario where projections calculated based upon flexing these key assumptions had both resulted in positive cash held balances throughout the two-year projection period with ending cash balances of over US$10 million under both scenarios. The Board expects the loan facilities which mature within the next 12 months will be repaid or refinanced, that COVID-19 will not result in the LTV breaching loan covenants and that the Company's life will be further extended at the 2022 Annual General Meeting. The Board noted that the LTV covenants were not breached as the 30 June 2022 market valuations already reflected the impact of COVID-19 and it is not anticipated that they will reduce further to the extent that the covenants will be impacted.

In accordance with provision 31 of the 2018 revision of the UK Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision. During the year, the Board conducted a review for a period covering two years, including a review of a comprehensive cash flow projection, together with adverse scenarios to stress test the cash positions of the Company. The Board considered two years to be an appropriate time horizon for its divestment plan, being the period over which the majority of the Company's properties should have been disposed of. This has remained the same timeframe as the prior year due to the delay in divestment as a result of the dynamic zero policy for COVID-19 which has continued to be adopted in Macau and China with restrictions that hindered economic and business recovery. Based on an assessment of the principal risks facing the Company and the stress testing based assessment of the Company's prospects, the Directors have a reasonable expectation that the Company will be able to continue in operation (subject to continuation votes) and meet its liabilities as they fall due over the two-year period of their assessment. It is expected that the timeframe for the disposal of the majority of the assets will be within the remaining two-year period.

Share capital

Ordinary Shares

The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member — present in person or by proxy — has the right to one vote at general meetings. On a poll, each member is entitled to one vote for every share held.

The Company's Memorandum and Articles of Incorporation contain details relating to the rules that the Company has regarding the appointment and removal of Directors or amendment to the Company's Articles of Incorporation.

Results and dividends

The results for the year are set out in the consolidated financial statements on pages 78 to 110. There are no dividends proposed or declared for the current year end (2021: US$ nil).

Authority to purchase own shares

Following the authority first granted in the Extraordinary General Meeting on 28 June 2010 and subsequently renewed at each Annual General Meeting, the Board has publicly stated its commitment to undertake share buybacks at attractive levels of discount of the share price to Adjusted NAV. The Board intends to renew this authority at the 2022 Annual General Meeting. No shares have been repurchased in the current or prior financial years.

Significant shareholdings

As at 29 August 2022, a total of 8 shareholders each held more than 3% of the issued ordinary shares of the Company, accounting for a total of 45,871,129 shares (20 August 2021: 43,717,181) or 74.19% (20 August 2021: 70.72%) of the issued share capital. Significant shareholdings as at 31 August 2022 are detailed below:

Name of shareholder	No. of shares	%
Sniper Investments Limited	11,881,904	19.22
Lazard Asset Management LLC	9,603,221	15.53
Universities Superannuation Scheme	8,494,683	13.74
Fidelity International	4,765,895	7.71
Apollo Multi Asset Management	3,687,861	5.96
Premier Miton Investors	3,233,643	5.23
Banque de Luxembourg (PB)	2,288,485	3.70
Hargreaves Lansdown, stockbrokers (EO)	1,915,437	3.10
Subtotal	**45,871,129**	**74.19**
Other	**15,964,604**	**25.81**
Total	**61,835,733**	**100.00**

Directors' Report *(continued)*

Directors

Biographies of the Directors who served during the year are detailed on pages 14 – 15.

Name	Function	Date of appointment	Date of resignation
Mark Huntley	Chairman, Chairman of the Management Engagement Committee and the Chairman of the Disclosure and Communications Committee	3 October 2018	—
Alan Clifton	Director, Chairman of the Audit and Risk Committee and the Nomination and Remuneration Committee	18 May 2006	—
Carmen Ling	Director	24 February 2022	—
Wilfred Woo	Director	3 January 2012	22 December 2021

Directors' interests

Directors who held office during the year and had interests in the shares of the Company as at 30 June 2022 were:

	Ordinary Shares of US$0.01	
	Held at 30 June 2022	**Held at 30 June 2021**
Mark Huntley	**200,000**	200,000
Alan Clifton	**80,902**	80,902
Carmen Ling	**—**	—
Wilfred Woo	**N/A**	—

There have been no changes to the aforementioned interests since 30 June 2022.

Non-mainstream pooled investments

The Board notes the changes to the Financial Conduct Authority (FCA) rules ("UK Listing Rules") relating to the restrictions on the retail distribution of unregulated collective investments schemes and close substitutes which came into effect on 1 January 2014.

Following the receipt of legal advice, the Board confirms that it has conducted the Company's affairs in such a manner that the Company would have qualified for approval as an investment trust if it was resident in the United Kingdom, and that it is the Board's intention that the Company will continue to conduct its affairs in such a manner. Thus, the Company is, and the Board expects it will continue to be, outside the scope of the new restrictions and Independent Financial Advisors (IFAs) should therefore be able to recommend ordinary shares in the Company to retail investors in accordance with the FCA requirements relating to non-mainstream investment products.

AIFM directive

The Directors have considered the impact of the EU Alternative Investment Fund Managers Directive (no. 2011/61/EU) ("AIFM Directive"), which was transposed into United Kingdom law on 22 July 2013 with the transitional period having ended in June 2014, on the Company and its operations.

The Company is a non-EU domiciled Alternative Investment Fund which does not currently intend to market its shares within Europe. The Directors, therefore, consider that neither authorisation nor registration is required.

Directors' remuneration

Directors of the Company are all non-executive and, by way of remuneration, receive an annual fee. During the year, the Directors received the following emoluments in the form of Directors' fees from the Company. These amounts remain unchanged since 2017 in Sterling terms.

Directors' Report *(continued)*

	2022 US$	2021 US$
Mark Huntley	**74,865**	81,205
Alan Clifton	**56,149**	60,904
Carmen Ling	**15,432**	N/A
Wilfred Woo	**23,218**	50,753
Total	**169,664**	**192,862**

Directors' Responsibilities to Stakeholders

Section 172 of the UK Companies Act 2006 applies directly to UK domiciled companies. Nonetheless the AIC Code requires that the matters set out in section 172 are reported on by all companies, irrespective of domicile.

Section 172 recognises that directors are responsible for acting in a way that they consider, in good faith, is the most likely to promote the success of the Company for the benefit of its stakeholders as a whole. In doing so, they are also required to consider the broader implications of their decisions and operations on other key stakeholders and their impact on the wider community and the environment. Key decisions are those that are either material to the Company or are significant to any of the Company's key stakeholders. The Company's engagement with key stakeholders and the key decisions that were made or approved by the Directors during the year are described below.

Stakeholder Group	Methods of Engagement	Benefits of Engagements
Shareholders The major investors in the Company's shares are set out on page 47. Continued shareholder support is vital to the Company's divestment objectives, and therefore, in line with its objectives, the Company seeks to maintain shareholder satisfaction through: — Net asset value preservation — Divestment of remaining properties, and — Operating cost reduction	The Company engages with its shareholders through the issue of periodic portfolio updates in the form of Regulatory News Service ("RNS") announcements and half yearly updates. The Company provides in depth commentary on the investment portfolio and corporate outlook in its semi-annual financial statements. In addition, the Company directly and, through its Manager undertake periodic roadshows to meet with existing and prospective investors to solicit their feedback and understand any areas of concern. The Manager and Board have achieved a substantial operating cost reduction. In the financial year the Company issued: — 4 NAV updates by way of RNS — 2 half yearly updates. The Company directly and through the Manager interacts with major shareholders. These meetings have been virtual during the period. Such interaction provides mutual understanding of the Company's prospects and outlook for divestment. LTV ratios confirm that none of the Company's properties are impaired or considered to be at risk of loss.	Shareholders are aware of any developments and issues and through engagement are actively engaged in the process of divestment.

Stakeholder Group	Methods of Engagement	Benefits of Engagements
Service Providers The Company does not have any direct employees; however it works closely with a number of service providers (the Manager, the Investment Adviser, Administrators, Company Secretary, brokers and other professional advisers) whose interests are aligned to the success of the Company. The quality and timeliness of their service provision is critical to the success of the Company.	The Company's Management Engagement Committee has identified its key service providers. On an annual basis it undertakes a review of performance based on a questionnaire through which it also seeks feedback. Furthermore, the Board and its sub-committees engage regularly with its service providers on a formal and informal basis. The Management Engagement Committee will also regularly review all material contracts for service quality and value.	The Feedback given by the service providers is used to review the Company's policies and procedures to ensure open lines of communication, operational efficiency and appropriate pricing for services provided.
Lenders The Group has interest-bearing loans with three banks. These facilities provides the Group with the resources which can be used to finance capital expenditure or working capital and therefore their availability is a key component of the Company's ability to operate.	The Group's engagement with its bankers is primarily through its Manager who provides regular reports to the banks and has an open line of communication in respect of the ongoing operation and maintenance of the facilities.	The facilities have continued to operate throughout the year, and no unrectifiable issues or concerns have been raised by the banks.
Tenants The Group has rental paying tenants in *The Waterside.*	Formal lease agreements are executed to safeguard the interests of the landlord, *The Waterside*, and tenants. In addition, top-class facilities and quality property management services are provided at *The Waterside* to help ensure comfortable occupancy.	Positive feedback is received from residents at *The Waterside* as well as from the local market.
Community & Environment As an Investment Company whose purpose is the investment in real estate in Macau, the Company's direct engagement with the local Community and the Environment is limited.	As discussed above the Board actively engages with the Company's service providers on a regular basis.	The ESG report provides further information on the Manager's approach to this important subject.

Change of control

There are no agreements that the Company considers significant and to which the Company is party, that would take effect, alter or terminate upon change of control of the Company, following a takeover bid.

Annual General Meeting

The Annual General Meeting of the Company will be held in December 2022 at Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey. A notice of Meeting and Agenda will be in November 2022.

Independent auditors

The Audit and Risk Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Group, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid. Deloitte LLP have been appointed as external auditor for the year to 30 June 2022. Each Director believes that there is no relevant information of which the external auditor is unaware. Each has taken all steps necessary, as a director, to be aware of any relevant audit information and to establish that Deloitte LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies (Guernsey) Law, 2008.

Subsequent events

Significant subsequent events have been disclosed in Note 25.

Financial risk management policies and objectives

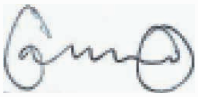
Financial risk management policies and objectives are disclosed in Note 2.

Principal risks and uncertainties

Principal risks and uncertainties are discussed in the Corporate Governance Report on page 55.

On behalf of the Board

Mark Huntley
Chairman of the Board
5 October 2022



Carmen Ling
Non-executive Director

Corporate Governance Report

The Board has put in place a framework for corporate governance which it believes is appropriate for an investment company. Paragraph 9.8.6R of the UK Listing Rules obliges Boards to report upon their corporate governance arrangements against the UK Code issued by the Financial Reporting Council (the "FRC"). The Company is a member of the Association of Investment Companies (the "AIC") and the Board has considered the principles and recommendations of the 2019 AIC's Code of Corporate Governance ("AIC Code"). The Board considers that reporting against the principles and recommendations of the AIC Code provides better information to shareholders. The FRC has provided the AIC with an endorsement letter to cover the latest edition of the AIC Code. The endorsement confirms that by following the AIC Code, investment company boards should fully meet their obligations in relation to the UK Code and paragraph 9.8.6R of the UK Listing Rules.

The AIC Code is available on the AIC's website, www.theaic.co.uk. The UK Code is available on the FRC's website, www.frc.org.uk.

Throughout the accounting period, the Company has complied with the recommendations of the AIC Code and thus the relevant provisions of Section 1 of the UK Code, except as set out below.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- the need for an internal audit function;
- appointment of a senior independent director; and
- whistleblowing policy.

The Board considers that the above provisions, where practical, have been fully adhered to but many are not currently relevant to the position of the Company, being an internally managed investment company, which delegates most day-to-day functions to third parties. There are areas of governance codes which present genuine practical challenges for a company that is both in the late stage of life, with a clearly defined but narrow strategic objective and where we are investing in a jurisdiction which we cannot currently visit. All Directors are non-executive and independent of the Investment Adviser and therefore the Directors consider the Company has no requirement for a Chief Executive or a Senior Independent Director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Report of the Audit and Risk Committee.

The GFSC Finance Sector Code of Corporate Governance (the "GFSC Code") came into force in Guernsey on 1 January 2012 and was amended in February 2016, June 2021 and November 2021. The Company is deemed to satisfy the GFSC Code provided that it continues to conduct its governance in accordance with the requirements of the AIC Code.

Except as disclosed below, the Company complied throughout the year with the recommendations of the AIC Code and the relevant provisions of the UK Code.

The Board

The Board consists of three non-executive directors, all of whom are independent of the Company's Manager and Investment Adviser. During the current year Carmen Ling was appointed on 24 February 2022 and Wilfred Woo resigned on 22 December 2021.

Directors' details are listed on pages 13 and 14 which set out the range of investment, financial and business skills and experience represented. Provision 14 of the AIC Code states that a Board should consider appointing one independent non-executive director to be the senior independent director. The Board, having taken into account its small size and that all directors are each similarly independent and non-executive, considers it unnecessary to appoint a senior independent director.

All Directors will retire annually in accordance with the AIC Code. A retiring director shall be eligible for reappointment. No director shall be required to vacate his office at any time by reason of the fact that they have attained any specific age.

The Board has considered the need for a policy regarding tenure of office and a succession plan for the retirement of existing officers; however, the Board believes that any decisions regarding tenure should consider the need for continuity and maintenance of knowledge and experience and to balance this against the need to periodically refresh board's composition, with the limited expected life of the Company in mind.

The Company has benefitted greatly from the knowledge, expertise and skill mix of the Board as it has had to navigate through the difficulties of the current situation. Whilst there are no concerns about either stale behaviour or lack of vigour to deliver the Company's strategy, any appointment of a director requires a sound understanding of the market in Macau as well as broader experience of the real estate market: to the contrary, the Board and Manager dynamics have been most constructive and measured in the face of an unprecedented challenges.

The majority of the Board is independent within the meaning of the AIC Code.

The Board meets at least four times a year for regular scheduled meetings and, should the nature of the activity of the Company require it, additional meetings may be held, some at short notice. At each meeting, the Board follows a formal agenda that covers the business to be discussed. Since the easing of the COVID-19 pandemic all board meetings have been held in Guernsey.

To fulfil the recommendation of AIC Code Provision 15 and to give sufficient attention to strategy, the Board discusses strategy at each of its regular scheduled meetings, but holds a separate session annually devoted to this.

Between meetings, there is regular contact with the Manager and the Administrator, and the Board requires to be supplied in a timely manner with information by the Manager, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties.

The terms and conditions of appointment of non-executive directors are available for inspection from the Company's registered office.

Performance and evaluation

Pursuant to Principle J of the AIC Code which requires a formal and rigorous annual evaluation of its performance, the Board formally reviews its performance annually through an internal process. Internal evaluation of the Board, the Audit and Risk Committee, the Nomination and Remuneration Committee, the Management Engagement Committee, the Disclosure and Communications Committee and individual Directors has taken the form of self-appraisal questionnaires and discussions to determine effectiveness and performance in various areas, as well as the Directors' continued independence. Given the late stage of life of the Company, the Board considered it sufficient to undertake its own evaluation rather than appointing at cost an external facilitator.

During the year, a formal board performance appraisal was carried out by the Nomination and Remuneration Committee. Following review and collation of the results, the Board considered that the overall performance of the Board during the year had been satisfactory and that the Board is confident in its ability to continue effectively to lead the Company and oversee its affairs. The Board believes that the current diversity mix of skills, experience, knowledge and location of the Directors is appropriate to the requirements of the Company.

Any new directors would receive an induction from the Manager as part of the familiarisation process of candidates following appointment. All directors receive other relevant training as necessary.

Duties and responsibilities

The Board is responsible to shareholders for the overall management of the Company. The Board has adopted a Schedule of Matters Reserved for the Board which sets out the particular duties of the Board. Such reserved powers include decisions relating to the determination of investment policy and approval of investments, strategy, capital raising, statutory obligations and public disclosure, financial reporting and entering into any material contracts by the Company.

The Directors have access to the advice and services of the Company Secretary and Administrator, who are responsible to the Board for ensuring that Board procedures are followed and that it complies with Guernsey Law and applicable rules and regulations of the GFSC and the LSE. Where necessary, in carrying out their duties, the Directors may seek independent professional advice at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board has responsibility for ensuring that the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company, and which enable it to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008.

The Board has responsibility for ensuring that the Annual Report presents a fair, balanced and understandable assessment of the Company's position and prospects. This responsibility extends to interim and other price-sensitive public reports.

Committees of the Board

Nomination and Remuneration Committee

The Nomination and Remuneration Committee Report is on page 58.

Management Engagement Committee

The Management Engagement Committee Report is on page 60.

Audit and Risk Committee

The Audit and Risk Committee Report is on page 61.

Meeting Attendance

Name	Scheduled Board Meeting (max 4)	Other Board Meeting (max 1)	Audit and Risk Committee Meeting (max 3)	Nomination and Remuneration Committee Meeting (max 3)	Management Engagement Committee Meeting (max 3)	Other Committee Meeting (max 2)
Mark Huntley	4	1	3	3	3	2
Alan Clifton	4	1	3	3	3	1
Carmen Ling	2	–	2	1	1	–
Wilfred Woo	2	1	1	2	2	1

Internal control and financial reporting

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, and the Board has, therefore, established a process designed to meet the particular needs of the Group in managing the risks to which it is exposed.

The process takes a risk-based approach to internal control through a matrix which identifies the key functions carried out by the Manager and other key service providers, the various activities undertaken within those functions, the risks associated with each activity and the controls employed to minimise those risks. A residual risk rating is then applied. Regular reports are provided to the Board, highlighting material changes to risk ratings and a formal review of these procedures is carried out by the Audit and Risk Committee and reported to the Board on an annual basis and has been completed during the financial year. By their nature, these procedures provide a reasonable, but not absolute, assurance against material misstatement or loss.

At each board meeting, the Board also monitors the Group's investment performance and activities since the last board meeting to ensure that the Manager adheres to the agreed investment policy and approved investment guidelines. Furthermore, at each board meeting, the Board receives reports from the Company Secretary and Administrator in respect of compliance matters and duties performed on behalf of the Company.

The Board considers that an internal audit function specific to the Group is unnecessary and that the systems and procedures employed by the Administrator and Manager, including their own internal control functions, provide sufficient assurance that a sound system of internal control, which safeguards the Group's assets, is maintained. Investment advisory services are provided to the Group by Sniper Capital (Macau) Limited. The Board is responsible for setting the overall investment policy and monitors the action of the Manager at regular board meetings. The Board has also delegated administration and company secretarial services to Ocorian Administration (Guernsey) Limited but retains accountability for all functions it delegates.

Management agreement

The Company has entered into an agreement with the Manager. This sets out the Manager's key responsibilities, which include proposing the property investment strategy to the Board, and identifying property investments to recommend for divestment. The Manager is also responsible to the Board for all issues relating to property asset management.

The Company has delegated the provision of all services to external service providers whose work is overseen by the Management Engagement Committee at its regular scheduled meetings. Each year, a detailed review of performance pursuant to their terms of engagement is undertaken by the Management Engagement Committee.

In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Manager, in the opinion of the Directors, the continuing appointment of the Manager, on the terms agreed, is in the interests of shareholders as a whole.

Relations with shareholders

The Company welcomes the views of shareholders and places great importance on communication with its shareholders. Senior members of the Manager are available at all reasonable times to meet with principal shareholders and key sector analysts. The Manager, Chairman and other Directors are not only available to meet with shareholders, but have actively done so.

Reports on the views of shareholders are provided to the Board on a regular basis. The Board is also kept fully informed of all relevant market commentary on the Company by the Manager and the Corporate Broker.

All shareholders can address their individual concerns to the Company in writing at its registered address. The Annual General Meeting of the Company provides a forum for shareholders to meet and discuss issues with the Directors and the Manager. The Manager and Board also engage with shareholders on an ongoing basis. In addition, the Company maintains a website (www.mpofund.com) which contains comprehensive information, including company notifications, share information, financial reports, investment objectives and policy, investor contacts and information on the Board and corporate governance.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Administrator and Investment Manager may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters.

It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

GDPR

The Board confirmed that the Company has considered GDPR and taken measures itself and with its service providers to meet the requirements of GDPR and the equivalent Guernsey law.

Principal risks and uncertainties

The Group's assets consist of residential property investments in Macau. Its principal risks are therefore related to the residential property market in general, but also the particular circumstances of the properties in which they are invested and where relevant, their tenants. The Manager seeks to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential tenants before entering into any new lease agreements. All the properties in the portfolio are insured.

Each Director is aware of the risks inherent in the Group's business and understands the importance of identifying and evaluating these risks. The Board has adopted procedures and controls that enable it to manage these risks within acceptable limits and to meet all its legal and regulatory obligations.

For each material risk, the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results are reported and discussed at board meetings.

The Company's principal risk factors are fully discussed in the Company's prospectus, are available on the Company's website and should be reviewed by shareholders. Note 2 further describes the Group's risk management processes.

The principal risks and uncertainties faced by the Group are set out below:

- The global COVID-19 pandemic and the resulting uncertainty on Macau's real estate market, the valuation of the underlying assets and whether this could prevent the Group from being able to realise its assets. The Manager provides the Board with regular reports and updates on key local developments. Working capital requirements and an analysis of loan to value covenants are reported to the Board for monitoring. Stress testing using various disposal scenarios will be incorporated into this analysis and investors will be kept updated as to the impact of the pandemic. The Manager and Administrator each have their own business continuity plans, which are tested and effective to prevent business disruptions.

- There can be no guarantee that Macau will remain the only centre in China where gambling is legal. Changes in policies of the government or changes in laws and regulations may result in the legalisation of gambling in other parts of China. This, in turn, may have an adverse effect on Macau's economy and property market and the favourable treatment of gambling in Macau. This is an inherent risk of investing in the Macau region and therefore cannot be mitigated or managed by the Board.

- The Group's loan refinancing may not be available in the future due to reduced lending appetite from banks and a change in market sentiment. The Board, through the Manager, has an ongoing dialogue with all external lenders and closely monitors the loan covenants of all facilities.

- New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws or regulations, in any jurisdiction in which the Group operates, may have a material adverse effect on the Group's financial performance and returns to shareholders. The Manager provides the Board with updates on any development on a regular basis.

- Macau law governs the majority of the Group's agreements which relate to property investments, property ownership rights and securities. It cannot be guaranteed that the Group will be able to enforce any such agreements or that remedies will be available outside of Macau. The Manager provides the Board with updates on any development on a regular basis.

- The Group's return on its investments and prospects are subject to economic, legal, political and social developments in Macau and China, and the Asia Pacific region in general. The Manager provides the Board with updates on any development on a regular basis. In particular, the Group's return on its investments may be adversely affected by:

  - changes in Macau's and China's political, economic and social conditions including the short and medium term effects of COVID-19;

  - changes in policies of the government or changes in laws and regulations (including the revocation or modification by the Chinese Government of Macau's SAR status and high autonomy levels), or the interpretation of laws and regulations;

  - changes in foreign exchange rates or regulations;

  - measures that may be introduced to control inflation, such as interest rate increases;

  - changes in the rate or method of taxation;

  - title and/or legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers; and

  - changes to restrictions on or regulations concerning repatriation of funds.

Emerging risks

Emerging risks have been identified by the Board through a process of evaluating which of the principal risks or any previously unidentified risks have increased materially through the year and/or are expected to significantly grow and such evaluation is completed at regular Board meetings. Any such emerging risks are likely to cause disruption to the Group's business. If ignored, there could be significant impact on the Group's financial situation and future operating performance but, if recognised, they could provide opportunities for transformation. In the current year, the following two significant emerging risks have been identified:

- Inability to achieve the Group's strategic objectives, linked to a widening of the discount between share price and Adjusted NAV and the continuation vote in the Annual General Meeting in December 2022, where a concentrated shareholder base exists, the Board, the Manager and the Company maintain good relationship with investors through periodic contact, investor updates, addressing influences of the share price and through provision of factual information to support any resolutions requiring shareholders' approval; and

- Economic changes such as high inflation, interest rate hike and their potential impact on Macau economy and in particular, the luxury property market. The Manager provides quarterly updates and ad-hoc analysis about such economic related impact to the Board, to facilitate their informed decisions making process.

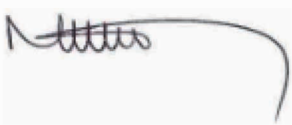
There is a process for identifying, evaluating and managing the principal and emerging risks faced by the Group. This process (which accords with the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting") has been regularly reviewed and has been in place throughout the financial year and up to the date of approval of these annual accounts.

The above principal and emerging risks are mitigated and managed by the Board through continual review, policy setting and annual updating of the Group's risk matrix to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks should they crystalise. The Board relies on reports periodically provided by the Administrator and the Manager regarding risks that the Group faces. When required, experts are employed to gather information, including tax advisers, legal advisers and planning advisers. Some risks are, however, beyond the Board or Managers' ability to mitigate.

The Board relies on the Manager's close relationship with legal professionals in Macau, Hong Kong and China to keep abreast of any potential changes to the law and any possible impact on the Group. The Board also regularly monitors the investment environment and the management of the Group's property portfolio, and applies the principles detailed in the internal control guidance issued by the FRC. Details of the Group's internal controls are described in more detail on page 53.

The Group's financial risks and uncertainties are further discussed in Note 2 to the consolidated financial statements.

On behalf of the Board



Mark Huntley
Chairman of the Board
5 October 2022

Nomination and Remuneration Committee Report

Summary of the role of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee regularly reviews the structure, size and composition (including the skills, knowledge, gender, experience and diversity) of the Board and makes recommendations to the Board with regard to any changes and also considers the appropriate levels of the Board's remuneration. The Board monitors the developments in corporate governance to ensure the Board remains aligned with best practice. The Board acknowledges the importance of diversity of experience, approach and gender, for the effective functioning of a board and commits to supporting diversity in the boardroom. The Board also values diversity of business skills and experience because directors with diverse skills sets, capabilities and experience gained from different geographical backgrounds enhance the Board by bringing a wide range of perspectives to the Company. The Board is satisfied with the current composition and functioning of its members. It is the Company's policy to give careful consideration to issues of the Board's balance, including gender and ethnic diversity, when appointing board members, but its priority is to appoint based on merit, notwithstanding a strong desire to maintain the Board's diversity. The Board's current ethnic diversity ratio is 33.33% and current gender diversity ratio is 33.33%. The terms of reference are considered annually by the Nomination and Remuneration Committee and are then referred to the Board for approval and are available on the Company's website. The Board's approach to succession needs to take account of the fact that the Company is in the final phase of its life.

Remuneration

The Nomination and Remuneration Committee determines and agrees with the Board the remuneration of the Company's Chairman, and non-executive directors. No director shall be involved in any decisions as to their own remuneration. In determining such remuneration, the Nomination and Remuneration Committee takes into account all factors which it deems necessary including any relevant legal requirements, the provisions and recommendations in the AIC Code of Corporate Governance and the UK Listing Authority's Listing Rules and associated guidance. The Nomination and Remuneration Committee also obtains reliable, up-to-date information about remuneration in other comparable companies. There has been no changes to annual director remuneration since 2017.

Composition of the Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are listed on page 111. During the year, Mr Wilfred Woo retired from the Board, as foreshadowed in last year's Annual Report. After a widespread international search and the consideration of numerous potential candidates, Ms Carman Ling was appointed a Director of the Company on 24 February 2022. She is available for election to be reappointed at December's Annual General Meeting.

Meetings

The Nomination and Remuneration Committee shall meet at least once a year and otherwise as required. Meetings of the Nomination and Remuneration Committee shall be called by the Company Secretary at the request of the Committee Chairman. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Nomination and Remuneration Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to the Nomination and Remuneration Committee and to other attendees as appropriate, at the same time. Any non-executive director who is not considered independent will not take part in the Nomination and Remuneration Committee's deliberations regarding remuneration levels.

Consideration of Directors for re-election

All Directors will retire annually in accordance with the AIC Code. A retiring director shall be eligible for reappointment. No director shall be required to vacate his office at any time by reason of the fact that he has attained any specific age.

The Nomination and Remuneration Committee will consider the use of external consultants to assist with the appointment of future directors.

Nomination and Remuneration Committee Report *(continued)*

Overview

The Nomination and Remuneration Committee met three times in the year ended 30 June 2022. Matters considered at the meeting included but were not limited to:

- the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board and Audit and Risk Committee and the need periodically to refresh membership;
- to note guidance set out in the AIC Code;
- to consider key outcomes from the Board's evaluation process;
- to consider Board's tenure and succession planning;
- consideration of Directors for re-election;
- consideration of Directors' remuneration; and
- consideration of the effectiveness of new Directors.

As a result of its work during the year, the Nomination and Remuneration Committee has concluded that it has acted in accordance with its terms of reference.

On behalf of the Nomination and Remuneration Committee

Alan Clifton

Alan Clifton
Chairman of the Nomination and Remuneration Committee
5 October 2022

Management Engagement Committee Report

Summary of the role of the Management Engagement Committee

The Management Engagement Committee annually reviews the terms of the Investment Management Agreement between the Company and the Manager and reviews the performance and terms of engagement of any other key service providers to the Company, as detailed in Appendix 1 of the Terms of Reference of the Committee. The terms of reference are considered annually by the Management Engagement Committee and are then referred to the Board for approval and are available on the Company's website. During the year the Management Agreement was amended to extend the Manager's entitlement to earn fees into 2022 in reflection of the delays to the realisation of assets arising as a consequence of the coronavirus pandemic.

Composition of the Management Engagement Committee

The members of the Management Engagement Committee are listed on page 111.

Meetings

The Management Engagement Committee meets at least once a calendar year and otherwise as required. Meetings of the Management Engagement Committee shall be called by the Company Secretary at the request of the Committee Chairman. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Management Engagement Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to the Management Engagement Committee and to other attendees as appropriate, at the same time.

Performance of the Manager

Following discussion, it is the opinion of the Management Engagement Committee that the performance of the Manager for the year ended 30 June 2022 was satisfactory and the continuing appointment of the Manager on the terms agreed is in the interests of the shareholders as a whole.

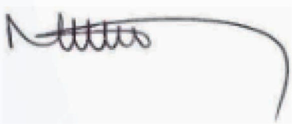
Performance of key service providers

Following discussion, it is the opinion of the Management Engagement Committee that the performance of key service providers (as detailed in Appendix 1 of the Terms of Reference of the Committee) for the year ended 30 June 2022 was satisfactory.

Overview

The Management Engagement Committee met three times during the year and as a result of its work, the Management Engagement Committee has concluded that it has acted in accordance with its terms of reference.

On behalf of the Management Engagement Committee



Mark Huntley
Chairman of the Management Engagement Committee
5 October 2022

Audit and Risk Committee Report

Summary of the role of the Audit and Risk Committee

The Audit and Risk Committee is appointed by the Board from the non-executive directors of the Company. The Audit and Risk Committee's terms of reference include all matters indicated by Disclosure Guidance and Transparency Rule 7.1 and the UK Code. The terms of reference are considered annually by the Audit and Risk Committee and are then referred to the Board for approval and are available on the Company's website.

The Audit and Risk Committee is responsible for:

- reviewing and monitoring the integrity of the Annual Report and Audited Consolidated Financial Statements, the Interim Report and Interim Condensed Consolidated Financial Statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing significant financial reporting judgements contained therein;

- reporting to the Board on the appropriateness of the accounting policies and practices including critical accounting policies and practices;

- advising the Board that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;

- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal controls and principal risks;

- making recommendations to the Board for a resolution to be put to the shareholders, for their approval in general meetings, on the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;

- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm;

- reviewing the valuations of the Company's investments prepared by the Investment Adviser, and make a recommendation to the Board on the valuation of the Company's investments;

- meeting the external auditor to review their proposed audit programme of work and the subsequent audit report and to assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;

- considering annually whether there is a need for the Company to have its own internal audit function; and

- reviewing and considering the UK Code, the AIC Code and the Stewardship Code.

The Audit and Risk Committee is required to report its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and to make recommendations on the steps to be taken.

The Audit and Risk Committee is also required to report to the Board, identifying how it has discharged its responsibilities during the current year.

The Board has taken note of the requirement that at least one member of the Audit and Risk Committee should have recent and relevant financial experience and is satisfied that the Audit and Risk Committee is properly constituted in that respect, with all members having relevant sector experience.

The Audit and Risk Committee reviews the information contained in the other sections of the Annual Report including the Directors' Report, Chairman's Message and the Manager's Report.

The Audit and Risk Committee is the formal forum through which the external auditor reports to the Board. The external auditor is invited to attend the Audit and Risk Committee meetings at which the Annual Report and Audited Consolidated Financial Statements, and at which they have the opportunity to meet with the Audit and Risk Committee without representatives of the Investment Adviser being present at least once per year.

Composition of the Audit and Risk Committee

The members of the Audit and Risk Committee are:

	Date of appointment	Date of resignation
Alan Clifton (Chairman)	23 May 2006	–
Mark Huntley	12 November 2018	–
Carmen Ling	24 February 2022	–
Wilfred Woo	27 February 2012	22 December 2021

Appointments to the Audit and Risk Committee will be for a period of up to three years, which is extendable, depending upon members continuing to be independent. Alan Clifton has been a member of the Audit and Risk Committee for 16 years. However, the Board and Audit and Risk Committee have satisfied themselves that Alan Clifton continues to remain independent. The Board are satisfied that Alan Clifton remains completely independent of the Investment Manager and provides consistency and continuity in the current realisation phase of the Company, so have previously resolved to extend his appointment to the Audit and Risk Committee for a further year. The Board has also considered the inclusion of the Chairman within the Audit Committee and having taken into account that the Chairman is independent and non-executive, believes it appropriate for the Chairman to be a member. It is the intention to maintain the majority board independence within the meaning of the AIC Code.

Financial Reporting

The primary role of the Audit and Risk Committee in relation to the financial reporting is to review with the Administrator, Investment Adviser and the external auditor on the appropriateness of the Annual Report and Audited Consolidated Financial Statements and Interim Report, concentrating on, among other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgement have been applied or there has been discussion with the external auditor;
- whether the Annual Report and Audited Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to Company's financial reporting.

To aid its review, the Audit and Risk Committee considers reports from the Administrator, Manager and Investment Adviser and also reports from the external auditor on the outcomes of their annual audit. The Audit and Risk Committee supports Deloitte LLP in displaying the necessary professional scepticism their role requires.

Significant issues considered in relation to the financial statements

The Audit and Risk Committee has had regular contact with the Investment Adviser and the external auditor during the year end audit process. The Committee's discussions have been broad ranging, including the consideration of the Company's going concern status and key areas of judgement.

The Audit and Risk Committee is satisfied, having received advice from professional advisers which include valuers, tax advisers and lawyers, that these sensitivities have been appropriately reflected and disclosed in the financial statements.

During its review of the Group's financial statements for the year ended 30 June 2022, the Audit and Risk Committee considered the following significant issues:

- impact of the COVID-19 pandemic;
- going concern and viability in relation to the continuation vote in December 2022 and availability of loan refinancing;
- valuation of investment properties and inventories;
- existence and ownership of investments properties and inventories;
- accounting treatment for taxes incurred in multiple jurisdictions; and
- income recognition for rental income.

The risk relating to going concern and viability is mitigated through communications with major shareholders, ongoing management of cash resources, regular monitoring of compliance with loan covenants and re-negotiation with lender banks prior to loan maturities.

The risk relating to the valuation of investment properties and inventories is mitigated through use of a professionally qualified independent valuer to conduct the valuations in accordance with current Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

The valuation is overseen by the Investment Adviser to ensure that the values are comparable to current market values of similar properties. The valuation process and methodology are discussed with the Investment Adviser regularly during the year and with the external auditor as part of the year-end audit planning. These valuations are reviewed, challenged and ultimately agreed by the Board, who possesses knowledge and understanding of the markets where the properties are situated. The Board ordinarily meets with the valuer at least once a year. This took place virtually during the past year. The factors that affect the value and ownership of the investment property and inventory are further discussed in Notes 3, 6 and 7.

The risk relating to the ownership and existence of investment properties and inventories is mitigated through ensuring proper title deeds for the properties are held. Asset reconciliations are performed by the Administrator with the SPV Administrator on a quarterly basis. Property searches showing ownership of each of the assets are conducted to ascertain that there are no changes in ownership.

The risk relating to taxation is mitigated through the setup of the Group structure. When taxation queries arise, an independent taxation adviser is employed to advise the Board on such issues. The factors that affect the Group's taxation position are further discussed in Note 9.

Meetings

The Audit and Risk Committee meets not less than twice a year and at such other times as the Chairman requires. Any member of the Audit and Risk Committee may request that a meeting be convened by the Company Secretary. The external auditor may request that a meeting be convened if they deem it necessary. Other Directors and third parties may be invited by the Audit and Risk Committee to attend meetings as and when appropriate.

Annual General Meeting

The Audit and Risk Committee Chairman, or other members of the Audit and Risk Committee appointed for the purpose, shall attend each Annual General Meeting of the Company, prepared to respond to shareholders' questions on the Audit and Risk Committee's activities.

Risk management

The Company's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit and Risk Committee. The work of the Audit and Risk Committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Corporate Governance Report. The Audit and Risk Committee receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to the principal risks identified, including emerging risks.

Primary Area of Judgement

The Audit and Risk Committee determined that the key risk of misstatement of the Company's financial statements is the fair value of the investment property held by the Group in the context of the high degree of judgement involved in the assumptions and estimates underlying the discounted cash flow calculations and any resulting impairment.

As outlined in Note 6 of the financial statements, the fair value of the Group's investment property as at 30 June 2022 was US$181,520,000 (2021: US$199,629,000). The valuation process is initiated by the Investment Adviser 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 reviews the latest valuation based on their knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2022 by an independent, professionally-qualified valuer, Savills.

Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to future income streams and discount rates applicable to these estimates. The principal technique deployed was the income capitalisation method and these estimates are based on the local market conditions existing at the reporting date.

The valuation of the Group's investment property as at 30 June 2022 has been determined by the Board based upon the information provided by the Investment Adviser.

The properties accounted for as inventory under IFRS are recorded at the lower of cost and net realisable value. The Company also discloses an Adjusted NAV reporting what the Company's net asset value would be if the inventory were recognised at fair value (see Note 18) using the valuation prepared by Savills. As detailed above, Savills is required to make assumptions on establishing the current market valuation. The valuation of the Group's inventories at fair value for the purpose of the Adjusted NAV as at 30 June 2022 has been determined by the Board based upon the information provided by the Investment Adviser.

Internal audit

The Audit and Risk Committee considers at least once a year whether or not there is a need for an internal audit function. Currently, the Audit and Risk Committee does not consider there to be a need for an internal audit function, given that there are no employees in the Group and all outsourced functions are with parties/administrators who have their own internal controls and procedures. During the year, an ISAE 3402 report was produced for the Administrator, Ocorian Administration (Guernsey) Limited. The Audit and Risk Committee also considers the review of controls of the service organisations.

External audit

Deloitte LLP have been appointed as external auditor for the year to 30 June 2022 following an earlier audit tender process carried out in accordance with FRC guidance applicable to UK Incorporated London Stock Exchange Listed companies. The external auditor is required to rotate the audit partner every five years. The current Deloitte LLP lead audit partner, David Becker, started his tenure for the financial year ended 30 June 2021. The GFSC have indicated that no audit rotation requirements are applicable to a Guernsey company. Accordingly, paragraph 3.9 of the FCA guidance which cross refers to the requirement included in UK legislation, is not relevant for a Guernsey incorporated company.

During the year, the Audit and Risk Committee discussed the planning, conduct and conclusions of the external audit as it proceeded. At the June 2022 Audit and Risk Committee meeting, the Committee discussed and approved the external auditor's Group plan in which they identified the Group's going concern assumption, valuation of the investment property, carrying value of inventories and revenue recognition as the key areas of risk of misstatement in the Group's financial statements.

The Audit and Risk Committee discussed these issues at the June 2022 meeting to ensure that appropriate arrangements are in place to mitigate these risks.

To fulfil its responsibility regarding the independence of the external auditor, the Audit and Risk Committee will consider:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the Audit and Risk Committee will review:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- discussions or reports highlighting the major issues that arose during the course of the audit;
- feedback from other service providers evaluating the performance of the audit team;
- arrangements for ensuring independence and objectivity;
- the robustness of the external auditor in handling key accounting and audit judgements; especially with regard to the external auditor's review of the following areas:
    - Valuation of investment property: the external auditor identified this as the main focus area of the audit and challenged the underlying assumptions used to prepare the valuation of the investment property by independent and professionally-qualified valuer Savills using their regional market specialists in Hong Kong and performed recalculations of assumptions to ensure within their parameters.
    - The going concern assumption: the external auditor noted shareholder feedback in addition to rigorous testing of management's cash flow forecasts and two-year viability period to obtain comfort over the going concern assumption. A material uncertainty paragraph has been included in the audit opinion in relation to going concern.
    - Carrying value of inventory: Deloitte LLP performed an analysis of the cost of the properties classified as inventory against the valuation prepared by Savills and challenged the underlying assumptions that were used to prepare the valuations to ensure that these were appropriate.
    - Revenue recognition: The external auditor tested the rental receipts from the Waterside against the external rental agreements and performed analytical review procedures to ensure that rental receipts were within their expectations.

The Audit and Risk Committee also held private meetings with the external auditor during 2022 and the Audit and Risk Committee Chairman also maintained regular contact with the audit partner throughout the year. These meetings provide an opportunity for open dialogue with the external auditor without management being present.

The Audit and Risk Committee is satisfied with Deloitte LLP's effectiveness and independence as the external auditor having considered the degree of diligence and professional scepticism demonstrated by them. Having carried out the review described above and having satisfied itself that the external auditor remains independent and effective, the Audit and Operational Risk Committee has concluded that the external auditor implemented sufficiently robust processes to deliver a high quality audit. Accordingly, the Committee recommended to the Board that Deloitte LLP be reappointed as external auditor for the year ending 30 June 2023.

The Audit and Risk Committee has provided the Board with its recommendation to the shareholders on the re-appointment of Deloitte LLP as external auditor which will be put to shareholders at the Annual General Meeting in December 2022.

Non-audit services

To safeguard the objectivity and independence of the external auditor from becoming compromised, the Audit and Risk Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This precludes Deloitte LLP from providing certain services, such as valuation work or the provision of accounting services, and also sets a presumption that Deloitte LLP should only be engaged for non-audit services where Deloitte LLP is best placed to provide the non-audit service, for example, the interim review service. Please see Note 23 for details of services provided by Deloitte LLP.

Audit and Risk Committee Report *(continued)*

Overview

The Audit and Risk Committee met three times in the year ended 30 June 2022. Matters considered at these meetings included but were not limited to:

- consideration and agreement of the terms of reference of the Audit and Risk Committee for approval by the Board;
- review of the accounting policies and format of the financial statements;
- review of the valuations of the properties held;
- review of the 2021 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2021;
- review of the 2021 Interim Report and unaudited Interim Condensed Consolidated Financial Statements for the 6 months ended 31 December 2021;
- review of the quarterly results announcement issued in May 2022;
- review of the audit plan and timetable for the preparation of the 2022 Annual Report and Audited Consolidated Financial Statements;
- challenge of the 2022 Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2022;
- discussions and recommendation regarding the appointment of the external auditor;
- discussions and approval of the fee for the external audit;
- assessment of the effectiveness of the external audit process as described above; and
- review of the Company's principal risks, emerging risks and internal controls.

As a result of its work during the year, the Audit and Risk Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditor. The Audit and Risk Committee has recommended to the Board that the Annual Report and Financial Statements are considered to be fair, balanced and understandable. The Audit and Risk Committee has recommended to the Board that the external auditor is re-appointed.

On behalf of the Audit and Risk Committee

Alan Clifton

Alan Clifton
Chairman of the Audit and Risk Committee
5 October 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. The Directors prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Under Company Law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the financial performance and cash flows of the Group for that period. In preparing these Group's financial statements, the Directors are required to:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the Company's ability to continue as a going concern.

The Directors confirm that they have complied with the above requirements in preparing the Group's financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website (www.mpofund.com) is the responsibility of the Directors. The work carried out by the external auditor does not involve consideration of these matters and, accordingly, the external auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to report on how they have applied the UK Code in their annual report and financial statements.

Statement of Directors' Responsibilities *(continued)*

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

Each of the Directors, whose names are set out on pages 14 and 15 of the Annual Report, confirms that, to the best of their knowledge and belief that:
Directors' statement under the Disclosure and Transparency Rules

- The Group's financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

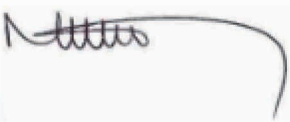
- The management report, which is incorporated into the Directors' Report, Manager's Report and Chairman's Message contained in the Annual Report, includes a fair review of the development and performance of the business and of the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Directors' statement under the UK Corporate Governance Code

- The Directors are responsible for preparing the Annual Report and Group's financial statements in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Committee, the Directors consider the Annual Report and Group's Financial Statements, taken as a whole, as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

So far as each Director is aware, there is no relevant audit information of which the Company's external auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's external auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies (Guernsey) Law, 2008 (as amended).

On behalf of the Board



Mark Huntley
Chairman of the Board
5 October 2022

Independent Auditor's Report to the Members of Macau Property Opportunities Fund Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Macau Property Opportunities Fund Limited (the "Company" or "Fund") and its subsidiaries (the "Group"):

- give a true and fair view of the state of the Group's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated statement of financial position;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty related to going concern

We draw attention to note 1 in the financial statements which indicates that the Group has major debt obligations that fall due within 12 months of the date of approval of the financial statements, for which refinancing has not yet been formally agreed. Also, the fund's life is due to expire in December 2022 and whilst the Company will put forward a resolution for its continuation at the next annual general meeting, the continuation vote has not been passed at the date of approval of the financial statements. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Company's ability to continue to adopt the going concern basis of accounting included:

— Evaluated management's assessment of the potential issues that may give rise to a material uncertainty, including mitigating actions identified by the Directors;

— Considered the financial covenants currently in place and whether sufficient headroom exists, particularly in the context of independent valuation of properties as a result of the impact arising from COVID-19;

— Evaluated the likelihood of renewal of external financing arrangements at expiry, including consideration of history of renewal of such arrangements;

— Evaluated the assumption made by the Directors related to passing of the upcoming continuation vote for the extension of the life of the Company, along with consideration of discussions with certain shareholders;

— Performed sensitivity analysis on the key assumptions and inputs applied in the going concern assessment and cashflow model, including the ability to sell the remaining properties given the ongoing uncertainty arising from impact of COVID-19;

— We challenged the key assumptions in the cashflow model and obtained supporting documentation from management;

— Evaluated the appropriateness of the disclosures in the financial statements.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

— the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting;

— the directors' identification in the financial statements of the material uncertainty related to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

4. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Key judgements in the valuation of investment property • Carrying value of inventory • Going Concern (see material uncertainty related to going concern section)
Materiality	The materiality that we used for the Group's financial statements in the current year was $776k which was determined on the basis of 1% of net asset value.
Scoping	The response to the risks of material misstatement was performed directly by the Group audit engagement team.
Significant changes in our approach	No significant changes in our approach.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters below to be the key audit matters to be communicated in our report.

5.1. Key judgements in the valuation of investment property

Key audit matter description	The Group owns a high-end residential investment property in Macau, as disclosed in note 6, that is valued at \$181.5m as at 30 June 2022 (2021: \$199.6m). The property is valued by an independent, professionally qualified valuer using the 'income capitalisation' method of valuation. Management is required to make a number of significant assumptions and judgements in determining the fair value and therefore we have identified this as a potential fraud risk. The key inputs into the fair value model which are subject to significant management estimates include future cash flows from assets, such as lettings, as well as applicable discount rates. Unreasonable assumptions could give rise to a material misstatement. The value of investment property declined by 9% as at 30 June 2022 in comparison to prior year due to impact of COVID-19 (zero COVID-19 policy) and other local market conditions as at valuation date. As detailed in note 6, the valuer applied the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards. Consistent with the market conditions observed in the prior year, we note there continued to be a higher level of judgement associated with certain asset valuations, including high-end residential properties. The valuation of investment property is disclosed as one of the key sources of estimation uncertainty in note 3 of the financial statements.
How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we have performed the following audit procedures: — Obtained and documented an understanding of relevant controls in relation to the valuation process; — Performed tests over the completeness and accuracy of the year end data provided to the valuers including reconciling the information included in the valuation report to supporting documentation such as lease agreements; — With involvement of our valuation specialists, discussed and challenged the appropriateness of the valuation methodology and the key inputs and assumptions (such as comparable term yields and market rent) with the valuers and management with reference to independent market data including COVID-19 considerations; — Considered the competence, objectivity and capabilities of the Valuer; and — Assessed whether the disclosures in the financial statements are appropriate regarding the critical accounting judgements and key sources of estimation uncertainty.
Key observations	We note that the comparable term yields as determined by the valuer are within the range noted in our independent research, albeit on the higher end of the range. We also note that the market rent assumed by the valuer is within the acceptable range. We have concluded that the assumptions applied by management, in arriving at fair value were appropriate, and that the resulting valuations were within a reasonable range.

5.2. Carrying value of inventory

Key audit matter description	The Group owns high-end residential properties held as inventory in Macau, as disclosed in note 7, whose carrying values are $34.6m as at 30 June 2022 (2021: $34.9m). Properties held as inventory are carried at the lower of cost or Net Realisable Value ("NRV"). In order to determine the NRV, the properties are valued by an independent, professionally qualified valuer using the 'sales comparison' method of valuation. The value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparable properties based on the elements of comparison. As disclosed in note 7, the NRV has been estimated as $58.7m at 30 June 2022 (2021: $65.1m). Management is required to make a number of significant assumptions and judgements in determining the NRV such as comparable recent sales transactions, which is necessary to assess the appropriate carrying value in the financial statements. As disclosed in note 18, the adjusted NAV includes the uplift of inventories to their market value which is utilised to calculate NAV based fees and therefore we have identified this as a potential fraud risk. The key inputs into the fair value model which are subject to significant management estimates include the weighted unit rate per square foot. The valuation of inventory is disclosed as one of the key sources of estimation uncertainty in note 3 of the financial statements.
How the scope of our audit responded to the key audit matter	To respond to the key audit matter, we have performed the following audit procedures: — Obtained and documented an understanding of relevant controls in relation to the valuation process; — Performed substantive tests of detail over the completeness and accuracy of the year end data provided to the valuers including reconciling the information included in the valuation report to supporting documentation; — With involvement of our valuation specialists, discussed and challenged the appropriateness of the valuation methodology and the key inputs (such as weighted unit rate per square foot) and assumptions with the valuer and management with reference to independent market data including COVID-19 considerations; — Assessed whether the valuers are independent of the Group and considered the competence, capabilities and objectivity of the valuer; — Compared NRV and cost to determine the carrying value of the property; and — Assessed whether the disclosures in the financial statements are appropriate regarding the critical accounting judgements and key sources of estimation uncertainty.
Key observations	We note that the weighted unit rate per square foot determined by the independent valuer is within the range noted in our research, albeit at the higher end of the range. However, we have concluded that the assumptions applied by management, in arriving at the NRV of inventory were appropriate, and that the resulting valuations were within a reasonable range.

Independent Auditor's Report to the Members of Macau Property Opportunities Fund Limited (continued)

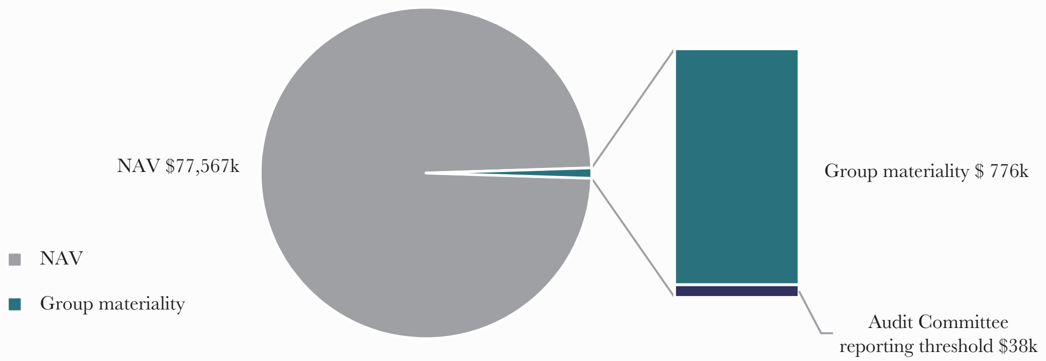
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group Materiality	$776k (2021: $979k)
Basis for determining materiality	1% of net asset value ("NAV") (2021: 1% of NAV)
Rationale for the benchmark applied	In determining the materiality, we considered what the most important balances on which the users of the financial statements would judge the performance of the Group. We consider the NAV of the Group to be an appropriate benchmark as this is a key performance indicator for shareholders.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2022 audit (2021: 70%).

In determining performance materiality, we considered the following factors:

— Our risk assessment, including our assessment of the quality of the control environment including that present at the administrator, Ocorian Administration (Guernsey) Limited;

— Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior period;

— The continued impact COVID-19 on the Group's performance in the current year.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $38k (2021: $49k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement for the Company and its subsidiaries. In assessing the control environment, we also considered the control environments of the key service providers, including the administrators, to whom the Board have delegated certain functions for the Company and its subsidiaries. Audit work to respond to the risks of material misstatement was performed directly by the Group audit team and all work was performed to Group materiality.

7.2 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of environmental related risks on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks as outlined on page 38. As a part of our audit, we have obtained management's ESG policy and held discussions with management to understand the process of identifying ESG related risks, the determination of mitigating actions and the impact on the Group's financial statements.

We performed our own qualitative risk assessment of the potential impact of environmental related risks on the Group's account balances and classes of transactions.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that will be approved by the Board on 29 September 2022;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

— Key judgements in the valuation of investment property;

— Carrying value of inventory; and

— Revenue recognition.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Companies (Guernsey) Law, 2008, the Listing Rules and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Company's regulatory licences under The Protection of Investors (Bailiwick of Guernsey) Law, 2020.

11.2. Audit response to risks identified

As a result of performing the above, we identified the key judgements in the valuation of investment property and carrying value of inventory and revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with Guernsey Financial Services Commission;
- in addressing the risk of fraud in revenue recognition, we performed detailed substantive analytical procedures on rental and the timing of its recognition. We also agreed rental terms and rent-free periods to tenancy agreements;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 45;
- the directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 46;
- the directors' statement on fair, balanced and understandable set out on page 68;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 55;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 54; and
- the section describing the work of the Audit Committee set out on page 61.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent Company; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

14. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Becker (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
5 October 2022

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 US$'000	2021 US$'000
ASSETS			
Non-current assets			
Investment property	6	**181,520**	199,629
Deposits with lenders	21	**1,561**	6,657
Trade and other receivables		**16**	111
		183,097	206,397
Current assets			
Inventories	7	**34,635**	34,924
Trade and other receivables	10	**53**	503
Deposits with lenders	21	**1,895**	175
Cash and cash equivalents	25	**355**	5,003
		36,938	40,605
Total assets		**220,035**	247,002
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**618**	618
Retained earnings		**62,349**	81,440
Distributable reserves		**15,791**	15,791
Foreign currency translation reserve		**(1,182)**	56
Total equity		**77,576**	97,905
LIABILITIES			
Non-current liabilities			
Deferred taxation provision	9	**9,706**	11,786
Taxation provision	9	**579**	705
Interest-bearing loans	8	**104,852**	114,624
		115,137	127,115
Current liabilities			
Trade and other payables	11	**2,019**	1,176
Interest-bearing loans	8	**25,303**	20,806
		27,322	21,982
Total liabilities		**142,459**	149,097
Total equity and liabilities		**220,035**	247,002
Net Asset Value per share (US$)	18	**1.25**	1.58
Adjusted Net Asset Value per share (US$)	18	**1.67**	2.08

The accompanying notes on pages 82 to 110 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 78 to 110 were approved by the Board of Directors and authorised for issue on 5 October 2022.

Mark Huntley
Chairman of the Board
5 October 2022

Carmen Ling
Non-executive Director
5 October 2022

Consolidated Statement of Comprehensive Income

Year ended 30 June 2022

	Note	2022 US$'000	2021 US$'000
Income			
Income on sales of inventories	7	**1,511**	9,863
Rental income	6	**1,082**	1,231
Other income		**129**	–
		2,722	11,094
Expenses			
Net loss from fair value adjustment on investment property	6	**16,380**	245
Cost of sales of inventories	7	**521**	4,787
Management fee	20	**1,199**	1,336
Realisation fee	20	**23**	217
Non-Executive Directors' fees	19	**170**	196
Auditors' remuneration: audit fees	23	**131**	134
Auditors' remuneration: other professional services	23	**9**	8
Property operating expenses	15	**1,372**	1,577
Sales and marketing expenses	16	**115**	717
General and administration expenses	13	**615**	552
Gain on foreign currency translation		**(298)**	(18)
		(20,237)	(9,751)
Operating (loss)/profit for the year		**(17,515)**	1,343
Finance income and expenses			
Bank loan interest	8	**(2,985)**	(3,230)
Other financing costs	14	**(431)**	(367)
		(3,416)	(3,597)
Loss for the year before tax		**(20,931)**	(2,254)
Taxation	9	**1,840**	(222)
Loss for the year after tax		**(19,091)**	(2,476)
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference on translating foreign operations		**(1,238)**	(195)
Total comprehensive loss for the year		**(20,329)**	(2,671)
Loss attributable to:			
Equity holders of the Company		**(19,091)**	(2,476)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(20,329)**	(2,671)

	Note	2022 US$	2021 US$
Basic and diluted loss per ordinary share attributable to the equity holders of the Company during the year	18	**(0.3087)**	(0.0400)

The accompanying notes on pages 82 to 110 are an integral part of these consolidated financial statements.

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

Consolidated Statement of Changes in Equity

Year ended 30 June 2022

	Note	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	12	**618**	**81,440**	**15,791**	**56**	**97,905**
Loss for the year		**–**	**(19,091)**	**–**	**–**	**(19,091)**
Items that may be reclassified subsequently to profit or loss						
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	12	**618**	**62,349**	**15,791**	**(1,182)**	**77,576**

	Note	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	12	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	12	618	81,440	15,791	56	97,905

The accompanying notes on pages 82 to 110 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 30 June 2022

	Note	2022 US$'000	2021 US$'000
Net cash (used in)/generated from operating activities	17	**(402)**	5,952
Cash flows from investing activities			
Capital expenditure on investment property	6	**(288)**	(245)
Movement in pledged bank balances	21	**3,376**	(2,379)
Net cash generated from/(used in) investing activities		**3,088**	(2,624)
Cash flows from financing activities			
Proceeds from bank borrowings		**9,457**	101,747
Repayment of bank borrowings		**(13,673)**	(111,699)
Interest and bank charges paid		**(3,013)**	(4,419)
Net cash used in financing activities		**(7,229)**	(14,371)
Net movement in cash and cash equivalents		**(4,543)**	(11,043)
Cash and cash equivalents at beginning of year		**5,003**	16,078
Effect of foreign exchange rate changes		**(105)**	(32)
Cash and cash equivalents at end of year		**355**	5,003

The accompanying notes on pages 82 to 110 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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 and Guidance, 2021 and is regulated by the GFSC. The address of the registered office is given on page 111.

The consolidated financial statements for the year ended 30 June 2022 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group"). The Group has investments in residential property in Macau.

These consolidated financial statements have been approved for issue by the Board of Directors on 5 October 2022.

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with the IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board, together with applicable legal and regulatory requirements of Guernsey Law and the GFSC.

Basis of preparation

The consolidated financial statements have been prepared in accordance with 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. All other assets and liabilities are carried at amortised cost.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3. The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand ($'000), except where otherwise indicated.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Manager's Report. The financial position of the Group, its cash flows and its liquidity position are described in the Capital Management section of the Manager's Report.

The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, market risk and liquidity risk are discussed in Note 2 to the consolidated financial statements.

In accordance with provision 30 of the 2018 revision of the UK Corporate Governance Code, (the "UK Code"), and as a fundamental principle of the preparation of financial statements in accordance with IFRS, the Directors have assessed as to whether the Company will continue in existence as a going concern for a period of at least 12 months from signing of the financial statements, which contemplates continuity of operations and the realisation of assets and settlement of liabilities occurring in the ordinary course of business.

The financial statements have been prepared on a going concern basis for the reasons set out below and as the Directors, with recommendation from the Audit and Risk Committee, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months after date of approval of the Annual Report.

In reaching its conclusion, the Board have considered the risks that could impact the Group's liquidity over the period to 31 October 2023. This period represents the required period of 12 months from the date of signing of the Annual Report.

As part of their assessment the Audit Committee highlighted the following key considerations:

1. Whether the Group can refinance its loan facilities to discharge its liabilities over the period to 31 October 2023

2. Extension of life of the Company

1. Summary of significant accounting policies (continued)

Going concern (continued)

1. *Whether, the Group can repay or refinance its loan facilities to discharge its liabilities over the period to 31 October 2023*
As at 30 June 2022, the Group had major debt obligations to settle during the going concern period being:

i) principal repayment for the Waterside loan facility of approximately US$18.3 million due for settlement in September 2022;

ii) principal repayment for the Waterside loan facility of approximately US$5.1 million due for settlement in March 2023;

iii) principal repayment for the Waterside and the Fountainside loan facilities of approximately US$9.5 million due for settlement in September 2023;

iv) principal repayment for the Penha Heights Tai Fung Bank loan facility of approximately US$1.6 million due for settlement in quarterly instalments of US$318,600 commencing in September 2022; and

v) principal repayment for the Penha Heights BCM loan facility of approximately US$1.3 million due for settlement in 3 quarterly payments of US$446,045 each in March, June and September 2023.

The lender of the Waterside loan facility has agreed in principle to extend a new tranche of US$6.4 million to partially refinance the US$18.3 million repayment that was due for settlement in September 2022, with the remaining US$11.9 million having been repaid from the sales proceeds of the Group's recent divestments. It is anticipated that the remaining debt obligations that are due over the going concern period will be settled from sales proceeds that are to be generated from the ongoing divestments or the Group will need to arrange refinancing if necessary.

The Manager is responsible for the relationship with the Group's lenders for monitoring compliance with loan terms and covenants and reporting to the Board on matters arising. Throughout the year ended 30 June 2022 and up to the date of issue of the financial statements, the Group has continued to be in compliance with covenant terms and has maintained ongoing dialogue with all lenders who indicated their continued supports for the Group and the underlying properties.

Given the largest instalment of the debt obligations that will become due for settlement over the going concern period has already been settled in September 2022, the fact that all banking facilities of the Group have all been successfully renewed previously, with the loan-to-value ratios of the facilities maintained within the covenants required under the respective loan agreements, as well as successful post year end unit sales, the Board is confident that the Group would be able to arrange refinancing for debt obligations that exceed funding available from divestments.

Notwithstanding the above, given that the refinancing of debt obligations that will become due for settlement over the going concern period has not been formally agreed or that proceeds from sales expected to settle these obligations are not committed at the date of issue of the financial statements, the Directors consider that there is a material uncertainty that may cast significant doubt over the Group's and Company's ability to continue as a going concern.

2. *Extension of life of the Company*
After the Ordinary Resolution was passed at the Annual General Meeting of the Company on 22 December 2021 to extend the Fund's life until 31 December 2022, the Directors assessed the impact of the continuation vote 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.

In line with Article 38 of the Articles of Incorporation, the Company will put forward a resolution for its continuation at the next annual general meeting (intended to be held in December 2022). If any continuation resolution is not passed, the Directors are required to formulate proposals to be put to Members to reorganise, unitise, reconstruct or wind up the Company.

The Directors expect to receive continuation support from major shareholders and note that 50% of shareholder support is required to ensure continuation. The Board have ongoing communication with shareholders and the feedback regarding the continuation vote is broadly positive. It is likely that returns from the sale of properties would be significantly lower if the Fund was forced to sell as a result of a failed continuation vote and it is therefore commercially sensible for the Fund to continue in business.

Given that the continuation vote has not taken place at the date of issue of the financial statements, the Directors consider that there is a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern.

Going Concern Conclusion

After careful consideration and based on the reasons outlined above, including the ongoing dialogue with lenders and shareholders, whilst there is material uncertainty related to going concern, the Board have a reasonable expectation that the Company will continue in existence as a going concern for 12 months from the date of signing the Annual report. They are therefore satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

1. Summary of significant accounting policies (continued)

New and amended standards and interpretations applied

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

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 — IBOR reforms
- Amendments to IFRS 16 — COVID-19 rent concessions

New and amended standard and interpretation not applied

The following new and amended standards and interpretations in issue are applicable to the Group but are not yet effective or have not been adopted by the European Union and therefore, have not been adopted by 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)
- IFRS 17: Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective 1 January 2023)

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provide relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The Group has considered the IFRS standard that has been issued, but is not yet effective. This standard will not have a material effect on the Group as the Group does not have any material insurance contracts or write any insurance contracts.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and all SPVs controlled by the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Certain of the Company's subsidiaries have non-coterminous year-ends. These companies are consolidated on the basis of actual transactions occurring within the financial year.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those segments operating in other economic environments.

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and related business. This segment includes residential properties in Macau. Please refer to Note 5 for segment reporting.

Foreign currency translation

a) Presentation currency

The consolidated financial statements are shown in US Dollars ("US$") which is the Group's presentation currency.

1. Summary of significant accounting policies (continued)

Foreign currency translation (continued)

b) *Transactions and balances*

Foreign currency transactions are recorded in the respective functional currencies of group entities, Macanese Patacas and Hong Kong Dollars (the "functional currencies"), using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses — resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss).

c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

ii) income and expenses for each statement of comprehensive income are translated at average exchange rates;

iii) all resulting exchange differences are recognised as a separate component of other comprehensive income; and

iv) on disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Foreign currency translation reserve

Foreign currency differences arising on translation of foreign operations into the Group's presentation currency are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred. After initial recognition, investment property is carried at fair value.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

There are no contractual obligations to purchase, construct or develop investment property for repairs, maintenance or enhancements.

1. Summary of significant accounting policies (continued)

Fair value measurements
The Group measures certain financial instruments, and non-financial assets such as investment property, at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

Level 1 — inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date;

Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices); and

Level 3 — inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value of investment property
Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific investment property. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Valuations are prepared semi-annually by Savills (Macau) Limited ("Savills"), whose valuers hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value, if the fair value is considered to be reliably measurable. Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income.

Inventories
Properties and land that are being held or developed for future sale are classified as inventories. In the opinion of the Board, inventories are held with a view to short term sale in the ordinary course of business. They are individually carried at the lower of cost and net realisable value ("NRV"). NRV is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses. Cost is the acquisition cost together with subsequent capital expenditure incurred, including capitalised interest where relevant.

Disposals
Disposals are recognised when the risks and rewards of ownership of an asset transfer to the purchaser.

Borrowing costs
Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying asset, such as investment property or inventory, are capitalised as part of the cost. Borrowing costs are capitalised while the acquisition or construction is actively underway, and cease once the asset is substantially complete, or suspended if the development is suspended. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The interest capitalised is calculated using the Group's weighted average cost of borrowing after adjusting for borrowing associated with specific developments. Where borrowings are associated with specific developments, the amount capitalised is the gross interest incurred on those borrowings less any investment income arising from their temporary investment.

1. Summary of significant accounting policies (continued)

Impairment

Financial assets

The Group holds only trade and other receivables with no financing component and which have maturities of less than 12 months at amortised cost and deposits with lenders which represent restricted cash in relation to borrowing. The liquidity of this deposit with lenders follow the maturity of the borrowings. As such, the Group has chosen to apply an approach similar to the simplified approach for Expected Credit Losses (ECL) under IFRS 9 to all its trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group uses the provision matrix as a practical expedient to measuring ECLs on trade and other receivables and deposits with lenders, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Leases

Leases in which the Group does not transfer substantially all the risks and benefits of ownership to a lessee are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the term of the lease on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The Group regularly reviews and assesses the risk associated with the leases of the underlying assets.

Financial instruments

i) Classification

Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

Financial assets measured at amortised cost

Deposits with lenders and trade and other receivables are measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at FVPL. The Group includes in this category interest-bearing loans and trade and other payables.

ii) Recognition

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require deliver of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the assets.

1. Summary of significant accounting policies (continued)

Financial instruments (continued)

iii) Initial measurement

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

iv) Subsequent measurement

After initial measurement, the Company's deposits with lenders and trade and other receivables are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the deposits with lenders and trade and other receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments, but does not consider ECL. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Deposits with lenders

Deposits with lenders comprise cash held at bank that is pledged for loan covenants and are recognised as current and non-current assets.

Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and on hand and demand deposits with an original maturity of three months or less and other short-term, highly-liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Deposits with lenders are excluded and not considered cash and cash equivalents.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Shares issued by the Company are recorded based upon the proceeds received, net of incremental costs directly attributable to the issue of new shares.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and includes rental income and income from property trading. Revenue from sales of completed properties and properties under development is within the scope of IFRS 15 and revenue from rental income is within the scope of IFRS 16. There are no assumptions or judgements involved in revenue recognition.

The Group earns revenue from acting as lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. No subleases are currently held.

Rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within scope of IFRS 16.

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Sale of completed property

Revenue from sale of completed properties is recognised when effective control of ownership of the properties is transferred to the buyer, which is on unconditional exchange of contracts and change of title on the property. Where the sales contract stipulates payments that cross over reporting period, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of each performance obligation. This is determined based on the actual cost incurred to date to estimated total cost for each contract. The proceeds from disposal are recognised in income and net assets disposed of are recognised in cost of sales in expenses.

Sale of property under development

Where property is under development and an agreement has been reached to sell such property when construction is complete, and where the Directors determine the pre-sale to constitute the sale of a completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer, which is on the unconditional exchange of contracts and change of title on the property. Where the sales contract stipulates payments that cross over reporting periods, revenue is recognised as the satisfaction of performance obligations is completed.

Sale of subsidiary

Revenue from the sale of a subsidiary is recognised when effective control of ownership of the subsidiary is transferred to the buyer. The sale of the subsidiary is regarded as a loss of control under IFRS 10 with all assets and liabilities of the subsidiary derecognised at the date control is lost, the fair value of the consideration received from the transaction compared to the net assets of the subsidiary and the resulting net income or expense of the transaction recorded in the income statement.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down and are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Consolidated Statement of Financial Position.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and to settle the liabilities simultaneously.

Finance income and expenses

Interest income is recognised using the effective interest rate method in the Consolidated Statement of Comprehensive Income.

Finance costs comprise interest expense on borrowings. Interest expense is recognised using the effective interest rate method in the Consolidated Statement of Comprehensive Income.

Distributable reserves

Distributable reserves may be legally paid out in the form of a dividend. Payments to shareholders from reserves can be seen as a distribution of accumulated profit.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

1. Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Consolidated Statement of Comprehensive Income.

As a result of the discussion of the IFRS Interpretations Committee in its July 2014 meeting relating to deferred taxation for a single asset held by a corporate wrapper, the Group has recognised the deferred tax liability for the taxable temporary timing difference relating to the investment property carried at fair value.

2. Financial risk management, policies and objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and liquidity risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual financial instrument or all factors affecting all financial instruments traded in the market including foreign exchange risk, equity price risk and cash flow and fair value interest rate risk as detailed below.

The Group's market risk is managed by the Manager in accordance with policies and procedures in place. The Group's overall market position is monitored on a quarterly basis by the Board of Directors.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors may be correlated, for example, changes in interest rates and changes in foreign currency rates.

a) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised monetary assets and liabilities and net investments in foreign operations. The Group's policy is not to enter into any currency hedging transactions. The tables on the next page summarise the Group's exposure to foreign currency risk as at 30 June 2022 and 30 June 2021. The Group's financial assets and liabilities are included in the table, categorised by their currency at their carrying amount in US$'000. In the current economic climate, management's assessment of a reasonable possible change in foreign exchange rates would be up to a 1% increase/decrease for Hong Kong Dollar ("HK$")/US$, due to the HK$ being pegged to the US$, and up to a 10% increase/decrease for all other currencies.

The table on the next page presents financial assets and liabilities denominated in foreign currencies held by the Group as at 30 June 2022 and 30 June 2021, and can be used to monitor foreign currency risk as at that date.

At 30 June 2022, if Sterling weakened/strengthened by 10% against US$ with all other variables held constant, the loss for the year would have been US$21,000 lower/higher (2021: US$19,000 lower/higher). The HK$ is pegged to the US$ with the Hong Kong Monetary Authority pledging to keep the exchange rate within a trading band of 5 Hong Kong cents either side of HK$7.80 per dollar. At present the rate is HK$7.85 per dollar so no downward risk while the currency peg remains in place. The foreign exchange risk is considered minimal and as such the Company does not actively manage against this risk. If the HK$ weakened/strengthened by 1% against the US$ with all other variables held constant, the net assets and movement in foreign currency translation reserve would have been US$1,282,000 higher/lower (2021: US$1,252,000 higher/lower). Any movement would have no other effect on the remaining equity components of the Group. There are no material transactions that would have effect on the profit/loss for the year.

2. Financial risk management, policies and objectives (continued)

Market risk (continued)

a) *Foreign exchange risk (continued)*

The Macanese Patacas ("MOP") is fixed to the HK$ at a rate of MOP:HK$ of 1.03. Due to the low level of assets held in this currency, a 10% change in rate would not have a significant effect on the consolidated financial statements.

As the HK$ is pegged to the US$ and the MOP is fixed to the US$ the foreign exchange risk of these currencies is considered minimal as under the normal course of business the Group has minor exposure to other currencies.

Movements in other currencies would not have a significant impact on the consolidated financial statements.

As at 30 June 2022	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	16	16
Cash and cash equivalents	–	17	333	5	355
Deposits with lenders	–	–	3,456	–	3,456
Total financial assets	–	17	3,789	21	3,827
Trade and other payables	121	228	1,004	666	2,019
Interest-bearing loans	–	–	130,992	–	130,992
Total financial liabilities	121	228	131,996	666	133,011
Net financial position	(121)	(211)	(128,207)	(645)	(129,184)

As at 30 June 2021	US$ US$'000	£ US$'000	HK$ US$'000	Other currencies US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	111	111
Cash and cash equivalents	–	35	4,825	143	5,003
Deposits with lenders	–	–	6,832	–	6,832
Total financial assets	–	35	11,657	254	11,946
Trade and other payables	48	229	243	656	1,176
Interest-bearing loans	–	–	136,642	–	136,642
Total financial liabilities	48	229	136,885	656	137,818
Net financial position	(48)	(194)	(125,228)	(402)	(125,872)

b) *Cash flow and fair value interest rate risk*

The Group's interest rate risk is managed by the Manager, in accordance with policies and procedures in place and can be mitigated through the use of interest rate swaps. The Manager has assessed the interest rate risk as not significant and therefore there were no interest rate swaps held during the current or prior years. The Group's overall positions and exposures are monitored on a quarterly basis by the Board of Directors.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's loss for the year would have increased/decreased by US$1,272,000 (2021: loss for the year increased/decreased by US$1,248,000) (based on the interest bearing net financial liability per the table below). This is mainly due to the Group's exposure to interest-bearing loans. There was no significant movement of interest rates between 2021 and 2022 so a 1% movement is reasonable.

2. Financial risk management, policies and objectives (continued)

Market risk (continued)

b) Cash flow and fair value interest rate risk (continued)

The following table details the Group's exposure to interest rate risks:

As at 30 June 2022	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	16	16
Cash and cash equivalents	355	–	355
Deposits with lenders	3,456	–	3,456
Total financial assets	3,811	16	3,827
Trade and other payables	–	2,019	2,019
Interest-bearing loans	130,992	–	130,992
Total financial liabilities	130,992	2,019	133,011

As at 30 June 2021	Interest bearing US$'000	Non-interest bearing US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	111	111
Cash and cash equivalents	5,003	–	5,003
Deposits with lenders	6,832	–	6,832
Total financial assets	11,835	111	11,946
Trade and other payables	–	1,176	1,176
Interest-bearing loans	136,642	–	136,642
Total financial liabilities	136,642	1,176	137,818

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions.

The Group's main exposure to credit risk is its cash balances with banks. This risk is mitigated through using banks with a high credit rating. The Group's cash and cash equivalents and deposits with lenders are all held with investment grade banks and the majority are held with a bank with a credit rating of A or higher.

The Group's cash and cash equivalents have the following ratings from Fitch and Moody's Ratings:

Credit Rating	2022 US$'000	2021 US$'000
AA-	218	1,120
A+	2	3,333
A	110	520
A-	–	16
BBB+	25	14
	355	5,003

2. Financial risk management, policies and objectives (continued)

Credit risk (continued)

The Group's deposits with lenders with the following ratings from Fitch and Moody's Ratings:

Credit Rating	2022 US$'000	2021 US$'000
AA-	**3,329**	6,657
A	**–**	175
BBB+	**127**	–
	3,456	6,832

The Group is exposed to loss of rental income and increase in costs, such as legal fees, if tenants fail to meet their payment obligations under their leases. The Group seeks to mitigate default risk by diversifying its tenant base and requiring deposits or guarantees from banks or parent companies, where there is a perceived credit risk or in accordance with prevailing market practice.

All of the Group's major tenants have met their rental requirements within the terms of arrangement and no material receivables which are past due have been impaired.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

The Group's financial assets subject to the ECL model within IFRS 9 are cash and cash equivalents, deposits with lenders and trade and other receivables. There is not considered to be any concentration of credit risk within these assets. The amount of ECL on cash and cash equivalents and deposit with lenders are considered to be US$nil considering the credit quality as indicated on the credit risk tables.

None of the Group's financial assets are past their due date as at the current or prior year end.

Liquidity risk

The Group adopts a prudent approach to liquidity management and maintains sufficient cash reserves and borrowings to meet its obligations. The Group is able to obtain funding through credit facilities to meet its current liabilities and property development expenditure in addition to cash currently held.

The lender of the Waterside loan facility has agreed in principle to extend a new tranche of US$6.4 million to partially refinance the US$18.3 million repayment that was due for settlement in September 2022, with the remaining US$11.9 million having been repaid from the sales proceeds of the Group's recent divestments. It is anticipated that the remaining debt obligations that are due over the going concern period will be settled from sales proceeds that are to be generated from the ongoing divestments or the Group will need to arrange refinancing if necessary.

The Manager is responsible for the relationship with the Group's lenders for monitoring compliance with loan terms and covenants and reporting to the Board on matters arising. Throughout the year ended 30 June 2022 and up to the date of issue of the financial statements, the Group has continued to be in compliance with covenant terms and has maintained ongoing dialogue with all lenders who indicated their continued supports for the Group and the underlying properties.

Given the largest instalment of the debt obligations that will become due for settlement over the going concern period has already been settled in September 2022, and the fact that all banking facilities of the Group have all been successfully renewed previously, with the loan-to-value ratios of the facilities maintained within the covenants required under the respective loan agreements, the Board is confident that the Group would be able to arrange refinancing for debt obligations that exceed funding available from divestments.

Deposits amounting to US$3,456,000 (2021: US$6,832,000) have been pledged to secure banking facilities, of which US$1,561,000 (2021: US$6,657,000) relates to long-term banking facilities, and are, therefore, classified as non-current assets. Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group.

2. Financial risk management, policies and objectives (continued)

Liquidity risk (continued)

As at 30 June 2022, the Group has term loan facilities with Hang Seng Bank, Banco Tai Fung and Banco Comercial de Macau, S. A. ("BCM Bank") for its investments in The Waterside, The Fountainside, and Penha Heights. The Group's liquidity position is monitored by the Manager and is reviewed quarterly by the Board. Please refer to Note 8 for details of the facilities.

The table below analyses the Group's financial assets and liabilities into relevant maturity profiles based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payable).

As at 30 June 2022	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	16	–	–	16
Cash and cash equivalents	355	–	–	–	–	–	355
Deposits with lenders	–	1,895	–	127	1,434	–	3,456
Total financial assets	355	1,895	–	143	1,434	–	3,827
Trade and other payables	–	2,019	–	–	–	–	2,019
Interest-bearing loans	–	19,502	9,052	34,239	72,823	2,635	138,251
Total financial liabilities	–	21,521	9,052	34,239	72,823	2,635	140,270
Net financial position	355	(19,626)	(9,052)	(34,096)	(71,389)	(2,635)	(136,443)

As at 30 June 2021	On demand US$'000	Less than 3 months US$'000	3 to 12 months US$'000	1 to 2 years US$'000	2 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade and other receivables (excluding prepayments)	–	–	–	111	–	–	111
Cash and cash equivalents	5,003	–	–	–	–	–	5,003
Deposits with lenders	–	–	175	–	6,657	–	6,832
Total financial assets	5,003	–	175	111	6,657	–	11,946
Trade and other payables	–	1,176	–	–	–	–	1,176
Interest-bearing loans	–	1,143	22,927	27,179	92,802	–	144,051
Total financial liabilities	–	2,319	22,927	27,179	92,802	–	145,227
Net financial position	5,003	(2,319)	(22,752)	(27,068)	(86,145)	–	(133,281)

2. Financial risk management, policies and objectives (continued)

Liquidity risk (continued)

The table below analyses the Group's changes in financial liabilities arising from financing activities.

	1 July 2021 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2022 US$'000
Current interest-bearing loans	**21,225**	**(21,001)**	**(224)**	**25,616**	**–**	**25,616**
Non-current interest-bearing loans	**115,417**	**16,785**	**(1,210)**	**(25,616)**	**–**	**105,376**
Loan arrangement fees	**(1,212)**	**(51)**	**–**	**–**	**426**	**(837)**
Net interest-bearing loans	**135,430**	**(4,267)**	**(1,434)**	**–**	**426**	**130,155**
Interest payable	**56**	**(2,962)**	**–**	**–**	**2,990**	**84**
Total	**135,486**	**(7,229)**	**(1,434)**	**–**	**3,416**	**130,239**

	1 July 2020 US$'000	Cashflows US$'000	Foreign Exchange Movement US$'000	Other US$'000	Profit and Loss US$'000	30 June 2021 US$'000
Current interest-bearing loans	80,157	(60,823)	(143)	2,034	–	21,225
Non-current interest-bearing loans	66,700	50,871	(120)	(2,034)	–	115,417
Loan arrangement fees	(461)	(1,115)	–	–	364	(1,212)
Net interest-bearing loans	146,396	(11,067)	(263)	–	364	135,430
Interest payable	127	(3,304)	–	–	3,233	56
Total	146,523	(14,371)	(263)	–	3,597	135,486

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans to current due to the passage of time. The Group classifies interest paid as cash flows from financing activities.

Fair value hierarchy

Financial investments measured at fair value

IFRS 13 requires disclosure of fair value measurements by level as discussed in Note 1.

For all financial instruments, other than those recognised at fair value or whose fair value is disclosed within these financial statements, carrying value of the financial asset/liability is an approximation of their fair value.

Capital risk management

The Group's objectives, when managing capital, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's objective is to provide shareholders with an attractive total return, derived from the disposal of its remaining real estate assets. The timing and amount of rental or other income cannot be predicted.

Any cash received by the Company as part of the realisation process will be held by the Company as cash on deposit and/or as cash equivalents prior to its distribution to shareholders, which shall be at such intervals as the Board considers appropriate.

2. Financial risk management, policies and objectives (continued)

Capital risk management (continued)

During the year ended 30 June 2022, there were no borrowings other than the Group's loan facilities in place which are classified as interest bearing loans in the Consolidated Statement of Financial Position.

Discount management policy

The Board closely monitors the discount to Adjusted Net Asset Value (adjusted NAV) at which the Company's shares trade and has sought shareholders' approval of powers to buy shares in the market to moderate the volatility of the discount. These powers will be sought again at the forthcoming Annual General Meeting. The Board is also very mindful of the working capital operating needs of the Company when considering buying back its shares in the market.

During the year ended 30 June 2022, the Company did not purchase any ordinary shares under the discount management policy.

Shares which are bought back by the Company may either be cancelled or held in treasury and subsequently re-issued. Pursuant to the Companies (Guernsey) Law, the number of shares of any class held as treasury shares must not, at any time, exceed 10% of the total number of issued shares of that class at that time. The authority to buy back up to 14.99% per annum of shares in issue is renewed at each Annual General Meeting of the Company by special resolution.

The Board remains committed to an active discount management policy.

3. Critical accounting estimates, assumptions and judgements

The Directors' and Investment Adviser (the "management") make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Accounting estimates are monetary amounts that are subject to measurement uncertainty. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

a) Fair value of the investment property, NRV and Adjusted NAV are based on the current market valuation provided by Savills, an independent valuer. Savills is required to make assumptions on establishing the current market valuation. The most significant assumptions (as described further in Note 6), relate to future income streams and discount rates applicable to these estimates. The valuation has been made on the assumption that the owner sells the properties in the open market without a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the properties. The Board and management have reviewed the valuations and are in agreement with the valuer's judgement. This is an accounting estimate and assumption.

b) Inventory is stated at the lower of cost and NRV. NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date, and is determined by the Group, having taken suitable external advice and in the light of recent market transactions. NRV in respect of inventory property under construction (see Note 7), is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. This is an accounting estimate.

c) Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely timing and the level of future taxable temporary differences, together with future tax planning strategies. This is an accounting judgement.

The Group did not make any critical accounting judgements, other than as described above, in the year ended 30 June 2022 or the year ended 30 June 2021.

4. Subsidiaries

All SPVs are owned 100% by the Company. There are no significant restrictions on the ability to access or use the assets to settle the liabilities of the Group. The following subsidiaries, active for both the 30 June 2022 and 30 June 2021 year ends, have a year end of 31 December to coincide with the Macanese tax year and are the only subsidiaries which do not have the same year end as the Company:

- MPOF Macau (Site 2) Limited
- MPOF Macau (Site 5) Limited
- Castelo Branco Companhia Limitada
- The Fountainside Company Limited
- The Waterside Company Limited

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed below:

	Ownership	Incorporation		Ownership	Incorporation
MPOF Macau (Site 2) Limited[2]	100%	Macau	Cannonball Limited[1]	100%	Guernsey
MPOF Macau (Site 5) Limited[2]	100%	Macau	Civet Limited[1]	100%	Guernsey
The Waterside Company Limited[2]	100%	Macau	Gorey Hills International Limited[1]	100%	BVI
The Fountainside Company Limited[2]	100%	Macau	Hillsleigh Holdings Limited[1]	100%	BVI
Castelo Branco Companhia Limitada[2]	100%	Macau	East Base Properties Limited[2]	100%	Hong Kong
MPOF (Jose) Limited[1]	100%	Guernsey	Eastway Properties Limited[2]	100%	Hong Kong
MPOF (Sun) Limited[1]	100%	Guernsey			
MPOF (Guia) Limited[1]	100%	Guernsey			
MPOF (Antonio) Limited[1]	100%	Guernsey			
Bream Limited[1]	100%	Guernsey			

1 Company is a holding company.

2 Company is an investment holding company.

5. Segment reporting

The Chief Operating Decision Maker (the "CODM") in relation to the Company is deemed to be the Board itself. The factors used to identify the Group's reportable segments are centred on asset class and differences in both geographical area and regulatory environment. Furthermore, foreign exchange and political risks 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 geographical area, 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 its ongoing performance review. This is supported by a further breakdown of individual property groups only to help support their review and investment appraisal objectives.

Information about major customers
The Group does not have any customers or rental agreements which represent more than 10% of Group's revenues. Revenues represented by rental income were US$1,082,000 for the year ended 30 June 2022 (2021: US$1,231,000).

6. Investment property

	2022 US$'000	2021 US$'000
At the beginning of the year	**199,629**	199,988
Capital expenditure on property	**288**	245
Fair value adjustment	**(16,380)**	(245)
Exchange difference	**(2,017)**	(359)
Balance at end of the year	**181,520**	199,629

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

The valuation process is initiated by the Investment Adviser 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 reviews the latest valuations based on its knowledge of the property market and compares these to previous valuations. The Group's investment properties were revalued at 30 June 2022 by an independent, professionally-qualified valuer, 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 determined by Savills, using recognised valuation techniques. The principal technique deployed is 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, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. These estimates are based on the local market conditions existing at the reporting date.

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

Rental income arising from The Waterside of US$1,079,000 (2021: US$1,230,000) was received during the year. Direct operating expenses of US$866,000 (2021: US$956,000) arising from rented units were incurred during the year. Direct operating expenses during the year arising from vacant units totalled US$369,000 (2021: US$395,000).

There are no disposals of investment property during the year.

6. Investment property (continued)

The following tables show the most appropriate presentation of the inputs used in valuing the investment property which is classified as Level 3 in the fair value hierarchy:

	Property information	Carrying amount/ fair value as at 30 Jun 2022 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	***The Waterside***	**181,520**	**Term and Reversion Analysis**	**Term rent (inclusive of management fee and furniture)**	**HK$17.5 psf**	**Age of building**
Type	**Residential/ Completed apartments**			**Term yield (exclusive of management fee and furniture)**	**1.4%–2.2%**	**Remaining useful life of building**
Location	**One Central Tower 6 Macau**			**Reversionary rent (exclusive of management fee and furniture)**	**HK$13.16 psf**	
				Reversionary yield	**1.55%**	

	Property information	Carrying amount/ fair value as at 30 Jun 2021 US$'000	Valuation technique	Input	Unobservable and observable inputs used in determination of fair values	Other key information
Name	*The Waterside*	199,629	Term and Reversion Analysis	Term rent (inclusive of management fee and furniture)	HK$17.8 psf	Age of building
Type	Residential/ Completed apartments			Term yield (exclusive of management fee and furniture)	1.4%–2.2%	Remaining useful life of building
Location	One Central Tower 6 Macau			Reversionary rent (exclusive of management fee and furniture)	HK$15.6 psf	
				Reversionary yield	1.7%	

There have not been any transfers in the fair value hierarchy during the current and prior years.

6. *Investment property (continued)*

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 or decrease by US$8.3 million (2021: increase or decrease by US$10 million).

If the term or revisionary yield increased/decreased by 5% (and all other assumptions remained the same), the fair value of The Waterside would decrease by US$7.9 million or increase by US$8.8 million (2021: decrease or increase by US$10 million).

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 a change in valuation technique since the last period.

7. *Inventories*

	2022 US$'000	2021 US$'000
Cost		
Balance brought forward	**34,924**	39,631
Additions	**595**	146
Disposals	**(518)**	(4,782)
Exchange difference	**(366)**	(71)
Balance carried forward	**34,635**	34,924

One residential unit of The Fountainside (2021: Four residential units and one car parking space of The Fountainside and one individual unit of One Central Residences) was sold during the year for a total consideration of US$1.5 million (HK$11.8 million) (2021: US$9.9 million (HK$76.5 million)) against a total cost of US$0.6 million (HK$4.4 million) (2021: US$4.8 million (HK$37.1 million)) which resulted in a net profit of US$0.9 million (HK$7.4 million) (2021: US$5.1 million (HK$39.4 million)) after all associated fees and transaction costs.

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 ("NRV"). The carrying amounts for inventories as at 30 June 2022 amounts to US$34,635,000 (2021: US$34,924,000). The market value as at 30 June 2022 as determined by the independent, professionally-qualified valuer, Savills, was US$60,479,000 (2021: US$65,772,000). The NRV as at 30 June 2022 was US$58,661,000 (2021: US$65,114,000).

If the estimated unit rate increased/decreased by 5% (and all other assumptions remained the same), the fair value of the properties would increase by US$3.0 million or decrease by US$2.8 million (2021: increase by US$3.1 million or decrease by US$3.2 million).

8. Interest-bearing loans

	2022 US$'000	2021 US$'000
Bank loans – Secured		
– Current portion	**25,303**	20,806
– Non-current portion	**104,852**	114,624
	130,155	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 30 June 2022, three tranches remained outstanding. Tranche 6 had an outstanding balance of HK$108 million (US$13.8 million) (2021: HK$108 million (US$13.9 million)); Tranche 7 had an outstanding balance of HK$512 million (US$65.2 million) (2021: HK$515 million (US$66.4 million)); Tranche 8 had an outstanding balance of HK$225 million (US$28.7 million) (2021: HK$250 million (US$32.2 million)).

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 6 matures in September 2022 and the principal is to be repaid in half-yearly installments commencing from September 2020, with 25.23% 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 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. The loan-to-value covenant is 60%. As at 30 June 2022, the loan-to-value ratio for the Hang Seng One Central facility was 59.33% (2021: 56.34%). The facility is secured by means of a first registered legal mortgage over The Waterside and The Fountainside, 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 principal repayment due in September 2022 of US$18.3 million has been settled subsequent to the year end. Please refer to note 25 for details.

The Group has a loan facility with Hang Seng Bank for The Fountainside:

The Facility amount is HK$96 million (US$12.2 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$11.3 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 was fully drawn down in March 2020, while the facility for Tranche B in the amount of HK$3 million (US$0.4 million) and HK$1 million (US$0.1 million) was drawn down in October 2021 and February 2022 respectively. 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 30 June 2022, the facility had an outstanding balance of HK$43 million (US$5.5 million) (2021: HK$39 million (US$5.0 million)) and the loan-to-value ratio was 29.86% (2021: 23.47%).

8. Interest-bearing loans (continued)

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 (US$8.9 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$318,471) each, commencing in September 2022 with the first instalment having been paid. As at 30 June 2022, the facility had an outstanding balance of HK$70 million (US$8.9 million) (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 quarterly for the first six month and monthly thereafter on this loan facility. As at 30 June 2022, the loan-to-value ratio was 46.36% (2021: 44.30%).

There is no loan-to-value covenant for this loan.

BCM Bank
During the 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$8.9 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 30 June 2022, the facility had an outstanding balance of HK$70 million (US$8.9 million) (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 30 June 2022, the loan-to-value ratio for this facility was 38.89% (2021: 42.02%).

Bank Loan Interest
Bank loan interest incurred during the year was US$2,985,000 (2021: US$3,230,000), including US$nil (2021: US$nil) capitalised during the year (see Note 7).

Amortised loan arrangement fees for the year are disclosed in Note 14.

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 30 June 2022, the fair value of the interest-bearing loans was US$462,000 lower than the carrying value of the financial liabilities (2021: the fair value of the interest-bearing loans was 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 the last period.

9. Taxation

The Company is exempt from taxation in Guernsey under the provisions of The Income Tax (Exempt Bodies) (Guernsey) Ordinances, 1989 to 1992, and is charged an annual exemption fee of £1,200 (US$1,469) (2021: £1,200 (US$1,677)).

The Group would only be exposed to Hong Kong profits tax if it is:

(i) not exempted under the Revenue (Profits Tax Exemption for Offshore Funds) Ordinance 2006 (the "Ordinance"); and

(ii) treated as carrying on a trade or business in Hong Kong either on its own account or through any person as an agent.

No accrual has been made for Hong Kong profits tax, as the Board believes that no such tax exposure exists at the end of the reporting year (2021: US$nil).

The Group is not subject to any income, withholding or capital gains taxes in the BVI. No capital or stamp duties are levied in the BVI on the issue, transfer or redemption of shares. As a result, no provision for BVI taxes has been made in the consolidated financial statements.

9. Taxation (continued)

The Macanese SPVs are liable to Macau Property Tax in respect of their ownership of Macau properties. Taxation will be charged at 8% (2021: 8%) of any rent received for rental properties or 6% (2021: 6%) of the official ratable rentable value for self-use properties. Newly built residential buildings or commercial buildings were exempted from Property Tax for four years and six years, respectively (such time running from the month after the occupancy permit is issued) for properties located in Macau peninsula and outlying islands. Macau Complementary Taxes ("MCT") are generally levied on income and profits arising in or derived from commercial and/or industrial activities carried on in Macau. There is no distinction made between a "revenue profit" and "capital profit" under the MCT regulations. Accordingly, income in accordance with MCT regulations booked by a Macau corporate taxpayer, including gains on sale of investment/ immovable property, will be subject to MCT. Under prevailing practice, gains on the disposal of shares in a Macau company (such as an SPV of the Company) by a non-Macau entity should generally not attract MCT.

The Board closely monitors and assesses the level of provisions for Macanese tax taking into consideration factors such as the Group's structure.

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

	2022 US$'000	2021 US$'000
Non-current liabilities		
Deferred taxation	**9,706**	11,786
Provisions for Macanese taxations	**579**	705
	10,285	12,491

Deferred taxation

The Group has recognised a 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% as relates to Macau taxation.

Provisions for Macanese taxations

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

Major components of taxation

	2022 US$'000	2021 US$'000
Provision to property tax (note 15)	**(291)**	(316)
Movement in deferred taxation provision	**1,965**	29
Provision for MCT	**(125)**	(251)

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

Notes to the Consolidated Financial Statements *(continued)*

10. Trade and other receivables

Current assets	**2022 US$'000**	**2021 US$'000**
Prepayments	**53**	503

11. Trade and other payables

Current liabilities	**2022 US$'000**	**2021 US$'000**
Accruals	**370**	322
Other payables	**1,649**	854
	2,019	1,176

Other payables principally comprise outstanding amounts for operating expenses.

12. Share capital

Ordinary shares	**2022 US$'000**	**2021 US$'000**
Authorised:		
300 million ordinary shares of US$0.01 each	**3,000**	3,000
Issued and fully paid:		
61.8 million (2021: 61.8 million) ordinary shares of US$0.01 each	**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 intends to renew this authority at the 2022 Annual General Meeting.

No redemption of shares was made during the current or prior year.

There are no restrictions on the distribution of dividends and repayment of capital.

13. General and administration expenses

General and administration expenses	2022 US$'000	2021 US$'000
Legal and professional	**200**	84
Holding Company administration	**127**	140
Guernsey SPV administration	**63**	70
BVI, Hong Kong, & Macanese SPV administration	**52**	58
Insurance costs	**15**	15
Listing fees	**19**	19
Printing & postage	**22**	12
Other operating expenses	**117**	154
	615	552

14. Other financing costs

Financing costs	2022 US$'000	2021 US$'000
Bank charges	**5**	3
Loan arrangement fees	**426**	364
	431	367

As at 30 June 2022, unamortised loan arrangement fees were US$837,000 (2021: US$1,212,000). These have been netted off against the interest bearing loans and also split between current and non-current.

15. Property operating expenses

Property operating expenses	2022 US$'000	2021 US$'000
Property management fee (note 20)	**951**	1,017
Property taxes	**291**	316
Utilities	**10**	14
Other property expenses	**120**	230
	1,372	1,577

16. Sales and marketing expenses

Sales and marketing expenses	2022 US$'000	2021 US$'000
Agent commission	**115**	411
Marketing	**—**	306
	115	717

Notes to the Consolidated Financial Statements *(continued)*

17. Cash flows from operating activities

	2022 US$'000	2021 US$'000
Cash flows from operating activities		
Loss for the year before tax	**(20,931)**	(2,254)
Adjustments for:		
Net loss from fair value adjustment on investment property	**16,380**	245
Net finance costs	**3,416**	3,597
Operating cash flows before movements in working capital	**(1,135)**	1,588
Effects of foreign exchange rate changes	**(298)**	(18)
Movement in trade and other receivables	**545**	(137)
Movement in trade and other payables	**775**	(96)
Movement in inventories	**(77)**	4,636
Net change in working capital	**1,243**	4,403
Taxation paid	**(212)**	(21)
Net cash (used in)/generated from operating activities	**(402)**	5,952

Cash and cash equivalents (which are presented as a single class of assets on the face of the Consolidated Statement of Financial Position) comprise cash at bank and other short-term, highly-liquid investments with a maturity of three months or less. For both year ends, there are no cash equivalents held by the Group.

18. Basic and diluted loss per ordinary share and net asset value per share

The basic and diluted loss per equivalent ordinary share is based on the loss attributable to equity holders for the year of US$19,091,000 (2021: loss of US$2,476,000) and on the 61,835,733 (2021: 61,835,733) weighted average number of ordinary shares in issue during the year.

	30 June 2022			30 June 2021		
	Loss Attributable US$'000	Weighted Average No. of Shares '000s	Loss Per Share US$	Loss Attributable US$'000	Weighted Average No. of Shares '000s	Loss Per Share US$
Basic and diluted	**(19,091)**	**61,836**	**(0.3087)**	(2,476)	61,836	(0.0400)

Net asset value reconciliation	2022 US$'000	2021 US$'000
Net assets attributable to ordinary shareholders	**77,576**	97,905
Uplift of inventories held at cost to market value	**25,844**	30,848
Adjusted NAV	**103,420**	128,753
Number of ordinary shares outstanding ('000)	**61,836**	61,836
NAV per share (IFRS) (US$)	**1.25**	1.58
Adjusted NAV per share (US$)	**1.67**	2.08
Adjusted NAV per share (£)*	**1.38**	1.50

18. Basic and diluted loss per ordinary share and net asset value per share (continued)

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 NRV (see Note 3 and Note 7). The NRV is determined by Savills and is subject to significant estimation uncertainty. The Adjusted NAV includes the uplift of inventories to their market values before any tax consequences or adjustments.

The Adjusted NAV per share is arrived at 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 shares in issue.

* US$:GBP rate as at 30 June 2022 is 1.212 (2021: 1.386).

19. 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.

	2022 US$'000	2021 US$'000
Directors' fees	**170**	196

Directors' fees include fees paid to Timothy Henderson, a former Director of the Company and Director of certain SPVs until resigning in the year to 30 June 2021, of US$nil (2021: US$5,000). The Directors are considered to be the key management personnel (as defined under IAS 24) of the Company. Directors' fees outstanding as at 30 June 2022 were US$41,000 (2021: US$47,000).

Sniper Capital Limited is the Manager to the Group and received fees during the year, as detailed in the Consolidated Statement of Comprehensive Income and on the basis described in Note 20.

Management fees paid for the year totalled US$1,199,000 (2021: US$1,336,000). No management fees are outstanding or prepaid as at 30 June 2022 (2021: US$nil) (see Note 20).

Realisation fees paid for the year totalled US$23,000 (2021: US$217,000) with US$nil outstanding as at 30 June 2022 (2021: US$nil).

20. Material contracts

Management fee

Under the terms of an appointment made by the Board of Directors of the Company on 23 May 2006, Sniper Capital Limited was appointed as Manager to the Group. The original Management fee was calculated at 2.0% of the net asset value, as adjusted to reflect the Property Investment Valuation Basis, payable quarterly in advance. The Property Investment Valuation Basis is the basis on which the properties will be valued by an independent valuer being an open market basis in accordance with RICS property valuation practice and guidelines. It was reduced to 1.0% of the net asset value, as adjusted to reflect the Property Investment Valuation Basis, from the start of 2020 and further reduced to a quarterly fixed fee of US$300,000 for the calendar year 2021. 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. Management fees paid for the year totalled US$1,199,000 (2021: US$1,336,000) with US$nil outstanding as at 30 June 2022 (2021: US$nil).

20. Material contracts (continued)

Realisation fee
A realisation fee was payable on deals originated and secured by the Manager in 2020 which was linked to the sales price achieved. The realisation fee is currently active until 31 December 2022. 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 was 90 per cent. or more of the 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") was payable; where the sale price of an asset was 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 was payable; and where the sale price of an asset is less than 80 per cent. of the Carrying Value, no realisation fee was 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 payable for the year totalled US$23,000 (2021: US$217,000) with US$nil outstanding as at 30 June 2022 (2021: US$nil).

Extra Incentive fee
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. In no circumstances would 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) would not exceed in aggregate US$3.8 million. The Extra Incentive Fee is no longer applicable for 2022 under the new agreement. Incentive fees payable for the year totalled US$nil (2021: US$nil).

Performance fee
The Manager's appointment is terminable by the Manager or the Company on not less than 6 months' notice. The Company may terminate the Management Agreement with immediate effect, if either or both of the Principals are removed from their position of full-time employment with the Manager or ceases to be available for any reason beyond the Manager's reasonable control and the Manager fails, within three months (or six months in the case of one only) of such event, to cause to be made available the services of a competent replacement(s) of equivalent skill and experience. The Management Agreement may also be terminated with immediate effect by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a material breach of the Management Agreement.

Development Management Services Agreement
A Development Management Services Agreement dated 1 June 2010 was entered into between the Group and Headland, under which Headland provides development management services to the Group in respect of the Group's properties that require development. Headland is paid a development management fee based on the hourly rates of its personnel and the actual time spent on each project for the Group. Such hourly rates will be reviewed annually by the Board. Budgeted development management fees are submitted to the Board for approval and are used to monitor against actual fees charged to the Group. Under certain circumstances, a fixed percentage fee cap based on construction value of the project may apply, should the Board deem necessary.

The Group also agrees to reimburse Headland for any reimbursable expenses reasonably incurred in the performance of its duties under the agreement. Headland agrees to exercise all the reasonable skill, care and diligence to be expected of a prudent and competent development manager experienced in the provision of development management services for projects of a similar size, scope, nature and complexity as the projects on which it will be engaged by the Group.

During the year, no development management services fees were capitalised in investment property and inventories (2021: nil) and none were outstanding (2020: nil).

20. Material contracts (continued)

Agency Services Agreement

The Group and Bela Vista entered into an Agency Services Agreement, under which Bela Vista provides agency services to the Group in respect of the sales of residential units and car and motorbike parking spaces of The Fountainside as well as the individual unit in One Central Residences. Bela Vista is paid an agency services fee based on a percentage of the total sales considerations. Such percentage will be reviewed annually by the Board.

During the year, agency services fees of US$30,000 (HK$236,000) (2021: US$81,000 (HK$628,000)) were paid. As at 30 June 2022, US$nil (2021: US$nil) was outstanding.

Leasing and Tenancy Management and Property Management Services Agreement

On 23 January 2020, the Group and Bela Vista entered into a Leasing and Tenancy Management and Property Management Services Agreement, under which Bela Vista provides property services to the Group in respect of asset management, tenant management and leasing at The Waterside. Bela Vista is paid a leasing and tenancy management fee based on a percentage of the monthly rental receivable by The Waterside and fixed fees for property management services and the staff costs and overhead incurred.

During the year, the leasing and tenancy management and property management services fees of US$350,000 (HK$2,729,000) (2021: US$360,000 (HK$2,792,000)) were paid. As at 30 June 2022, US$22,000 (2021: US$nil) was outstanding.

21. Deposits with lenders

Pledged bank balances represent deposits pledged to the banks to secure the banking facilities granted to the Group. Deposits amounting to US$1.6 million (2021: US$6.7 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.

	2022 US$'000	2021 US$'000
Non-current	**1,561**	6,657
Current	**1,895**	175
Pledged for loan covenants	**3,456**	6,832

22. Commitments and contingencies

As at 30 June 2022, the Group had agreed consultancy contracts with architectural firms, an engineering firm, an electrical firm and a quality surveying consultant and are consequently committed to future capital expenditure in respect of inventories of US$281,000 (2021: US$126,000).

23. Auditors' remuneration

All fees payable to the external auditor relate to audit services except for US$9,000 that was payable to Ernst & Young Macau in relation to non-audit services.

Auditors' remuneration was broken down as follows:

	2022 US$'000	2021 US$'000
Audit fees	**131**	134
Other professional services	**9**	8
	140	142

24. Operating leases – Group as lessor

The Group has entered into leases on its property portfolio.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2022 are as follows:

	2022 US$'000	2021 US$'000
Residential		
Within 1 year	**625**	632
After 1 year, but not more than 5 years	**—**	—
Total future rental income	**625**	632

The majority of leases involve tenancy agreements with a term of 12 months. The Group has assessed the risks as minimal as the leases held are all operating leases relating to the rental of apartments in The Waterside to which the Group acts as lessor.

As at 30 June 2022, lease incentives on which the Group was lessor amounted to US$48,000 (2021: US$44,000) with rent free liabilities of US$30,000 (2021: US$23,000).

25. Subsequent events

At the Annual General Meeting in December 2022, the Company will hold a continuation vote on which the shareholders will vote on whether to extend the lifecycle of the Company.

During the year, the Group entered into sales and purchase agreements to dispose of four units at The Waterside at a total consideration of US$14.5 million. Subsequent to the year end, the sales of the four units at The Waterside have been completed with total Net Proceeds of US$5.3 million. The sales of these units will incur realisation fees of US$40,203 of which 50% will be retained until all units at The Waterside have been sold.

Subsequent to the year end, the lender of The Waterside loan facility has agreed in principle to extend a new tranche of US$6.4 million to partially refinance the US$18.3 million repayment that was due for settlement in September 2022, with the remaining US$11.9 million having been repaid from the sales proceeds of the Group's recent divestments.

A sale has been agreed for a further unit at The Waterside which is scheduled to complete in November 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 Communications Committee
Mark Huntley (Chairman)
Alan Clifton

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Cautionary Statement (unaudited)

The Chairman's Statement, the Manager's Report and the Report of the Directors have been prepared solely to provide additional information for shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chairman's Statement, Manager's Report and the Report of the Directors may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Manager, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. Subject to their legal and regulatory obligations, the Directors and the Manager expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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Company Registration Number 44813

Macau Property Opportunities Fund